Testimony of

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On behalf of the

National Cattlemen's Beef Association

Submitted to the

United States House of Representatives Committee on Ways and Means,

Prepared for the Field Hearing titled:

The One, Big, Beautiful Bill Delivering for the American Economy

Held on

Saturday, July 26, 2025

Introduction

Chairman Smith, Ranking Member Neal, and Members of the Committee, thank you for inviting me to testify before you today. My name is Kevin Kester, and I am a fifth-generation owner of the Bear Valley Ranch in Parkfield, California. I am a past president of the California Cattlemen's Association, a past president of the National Cattlemen's Beef Association (NCBA), and I also served as the chair of NCBA's Tax and Credit Committee. I am here today on behalf of NCBA, and I am honored to share our perspective on the tax provisions within the One Big Beautiful Bill which will benefit cattle producers.

NCBA is the oldest and largest trade association representing the U.S. cattle and beef industry. With roots extending as far back as 1898, today we represent over 25,000 direct members and 178,000 through our 44 state affiliate organizations, each of which play a role in crafting the policy positions our organization takes. It is important to note that well over 90 percent of those members are, like myself, family-owned business entities involved in the cow-calf, stocker/backgrounder, and feeding sectors of the supply chain. Each of those members has a voice in our organization's century-old policymaking process, and it is from the resolutions and directives resulting from this process that NCBA takes positions on legislation and proposed regulations. Additionally, in 2023 NCBA conducted a nationwide tax survey of cattle producers to assess the usage and importance of key provisions of the 2017 Tax Cuts and Jobs Act (TCJA) that were set to expire at the end of 2025.[1] NCBA received 1224 responses from cattle producers across the country, and the information and analysis from that survey was instrumental in establishing NCBA's position on the provisions of the One Big Beautiful Bill. We have included some of that information in these comments.

Overview: Tax Relief in the One Big Beautiful Bill is Helpful to the Farm Economy

The United States has more than 622,000 cattle ranches and farms that account for 33 percent of all U.S. agricultural operations,[2] generating $108 billion in cash receipts in 2024.[3] U.S. cattle farms, ranches and feedlots in the United States raise about 86.7 million head of cattle.[4] The vast majority are family-owned, multi-generational businesses with an average beef cow herd of 47 head.

The overall farm economy is currently facing significant challenges, particularly for small family farms. In 2022, a substantial percentage—between 52 and 79 percent—of these farms were categorized as being in a high-risk zone based on their operational performance metrics (OPM).[5] This high-risk status reflects a concerning trend where many small farms, whether classified by retirement, off-farm occupation, or sales levels, are struggling to maintain financial stability. The pressure on these farms is evident as they navigate a landscape of financial vulnerability and increasing operational challenges.

Looking ahead, the economic outlook for the farm sector is troubling, with substantial decreases forecasted for key financial indicators. In inflation-adjusted 2024 dollars, net farm income is anticipated to drop by $43.1 billion, or 27.1 percent, from 2023 levels.[6] This forecast underscores a broader trend of financial

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[1] 2023-2024 NCBA Tax Survey, https://www.ncba.org/Media/NCBA2025/Docs/ncba-tax-survey-report-final.pdf.
[2] 2022 USDA Census of Agriculture.
[3] USDA Economic Research Service, "Annual Cash Receipts by Commodity," Accessed 07/22/2025.
[4] USDA National Agricultural Statistics Service, "Press Release: United States cattle inventory down 1%", 01/31/2025.
[5] Whitt, C., Lacy, K., & Lim, K. (2023). America's Farms and Ranches at a Glance 2023 Edition (Report No. EIB-263). USDA-Economic Research Service.
[6] U.S. Department of Agriculture, Economic Research Service. (2024, February 7). *Farm Sector Income & Finances: Farm Sector Income Forecast.*

contraction within the agricultural sector, highlighting the need for supportive measures to address the economic pressures faced by farms and ensure their long-term viability.

The USDA Economic Research Service (ERS) highlighted that the expiration of temporary provisions from the ARPA and the Tax Cuts and Jobs Act (TCJA)—such as reduced individual income tax rates, a higher standard deduction, capped state and local deductions, and the removal of the personal exemption—would have posed significant concerns for farm households. Expiration would have led to an increased tax liability of $4.5 billion across all farm households. Additionally, the anticipated reduction in the estate tax exemption alone was expected to cause federal estate taxes to double to $1.2 billion.[7]

NCBA is grateful to the House Ways and Means Committee for answering the call for extension of many vital TCJA tax provisions. The tax relief included in the One Big Beautiful Bill such as the increased death tax exemption, Section 199A Small Business deduction, and expensing tools will help cattle producers weather financial hardship and create more opportunities for profitability.

Death Tax Exemption

The estate tax, more commonly known as the death tax, is a significant threat to multi-generational family businesses and cattle operations. The increased estate tax exemption to $15 million per individual / $30 million per couple in the One Big Beautiful Bill will protect many family operations from being forced to sell and it will help keep agricultural land in production.

In the NCBA Tax Survey, over one-third of respondents reported having been impacted by the estate tax; and of those respondents, 35 percent have been impacted more than once. In addition to the federal estate tax, 40 percent of respondents anticipate being subject to state-level estate tax. This helps explain why 27 percent of respondents believe the estate tax is their greatest tax concern. NCBA Tax Survey results also show that some respondents have allocated significant financial resources to comply with the estate tax and protect their business. For example, 18 percent of respondents have been forced to sell land, livestock, or other assets to pay for the estate tax, and 9 percent have taken out a personal loan or lien to pay for the estate tax. Sadly, 25 percent of respondents were prevented from investing in their operation due to the estate tax. Alarmingly, 61 percent of NCBA Tax Survey respondents would have been impacted if the previous estate tax threshold expired at the end of 2025. The increased exemption is a huge weight off the backs of families who expect a generational transfer in the near future.

Section 199A Small Business Deduction Permanency

NCBA is very pleased with the permanency of Section 199A Small Business Deduction which allows small businesses with pass-through business income to deduct up to 20 percent of qualified business income deduction (QBID) from taxable ordinary income.[8] This is particularly important for farm and ranch businesses (S-corporations, partnerships, and sole proprietorships) that are not C-corporations and have income from sales through a cooperative.

According to the NCBA Tax Survey, 53 percent of respondents identify as sole-proprietor / individual owner, 23 percent are limited liability corporations (LLC), 10 percent are partnerships, 8 percent are S-

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[7] McDonald, T. M., & Durst, R. (2024). *An analysis of the effect of sunsetting tax provisions for family farm households* (Report No. ERR-328). USDA-Economic Research Service. https://doi.org/10.32747/2024.8327788.ers

[8] "Section 199A Deduction for Pass-Through Business Income: An Overview," Congressional research Service, March 2024.

Corps, and 4 percent are C-Corps. This represents the diversity of production and operational structure throughout the cattle sector. It is important to note that 56 percent of respondents consider Section 199A to be an important tool for their family business. Likewise, a USDA study showed that approximately 45 percent of all family farms are estimated to benefit from the QBID,[9] and elimination of QBID would increase tax liabilities for farmers and ranchers by $2.2 billion.[10]

Section 199A was established to ensure that pass-through businesses may compete on an equal footing with corporations following the reduction of the corporate tax rate from 35 percent to 21 percent under the TCJA. The 20 percent deduction provided by Section 199A serves this purpose. If Section 199A had been allowed to expire, some high-earning farmers and ranchers might have faced the difficult choice of converting to C corporations to benefit from more favorable tax treatment even though they might have less flexibility in other areas.[11] Thankfully, due to the permanent extension of 199A, cattle producers will not have to make that choice.

Update to Section 179 Deduction

Agriculture requires significant investments in machinery, equipment, and other depreciable assets and because of this, farmers and ranchers place great value on tax code provisions such as the Section 179 small business deduction. The ability to immediately expense purchases of equipment provide an incentive for farmers and ranchers to invest in their businesses. The increase of the Section 179 limitation to $2.5 million included in the One Big Beautiful Bill is a much-needed update to this tool which will help cattle producers make larger investments.

Section 179 helps cattle producers with difficult cash flow struggles, lowers their marginal effective tax rate, and eliminates burdensome recordkeeping requirements associated with depreciation. 57 percent of NCBA Tax Survey respondents reported using Section 179 in the past 3 years, and 45 percent of respondents say they would have incurred an additional tax burden exceeding $20,000 if they did not have access to it.

Permanent 100 Percent Bonus Depreciation

Accelerated deductions allow cattle producers to deduct expenses faster, reducing the tax burden and freeing up capital farm businesses can use to grow. Bonus depreciation, also known as first-year expensing, allows a business to deduct the cost of an asset the year it is placed in service. Farmers and ranchers generally use bonus depreciation when expenditures exceed the Section 179 small business deduction limits. 100 percent bonus depreciation was established in 2017, but it had been phasing out for several years. Reinstating this tool permanently will help cattle producers make essential investments without the burden of delayed tax benefits.

These improved tax incentives allow farmers to immediately write off capital investments, such as a new combine or tractor, and keep thousands of dollars in their bottom line. In addition to equipment purchases, other eligible items may include the purchase of “off-the-shelf” computer software, and breeding livestock.

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[9] “An Analysis of the Effect of Sunsetting Tax Provisions for Family Farm Households,” by Tia McDonald and Ron Durst, USDA Economic Research Service Report No. 328, February 2024, p. 21.
[10] *Ibid*, p. 28.
11 “How Many Will Switch to a C Corporation in 2026?” by Paul Neiffer, CPA Report, 2024.

According to the NCBA Tax Survey, 44 percent of respondents used Bonus Depreciation within the last three years, and 31 percent said they would have incurred an additional tax burden of over $20,000 without it.

Conclusion

The U.S. cattle and beef industry has greatly benefitted from the tax relief in TCJA over the last five years, and we are very grateful for the continued relief and expanded benefits in the One Big Beautiful Bill. The permanency that has been added to many of these provisions will protect farmers and ranchers from heavy tax burdens for years to come. Cattle producers can now make thoughtful business decisions for their operations and have more confident plans for the future because of this bill. Thank you, Mr. Chairman.