



July 5, 2016

Dear Members of Congress:

Americans for Tax Reform (ATR) urges your support of H.R. 4474, the Fairness for Agricultural Machinery and Equipment (FAME) Act. Introduced by Representative Ralph Abraham (R-La.), this pro-growth legislation would increase after-tax income for American farmers by reinstating and making permanent five-year depreciation for farm business machinery and equipment.

The U.S. agricultural industry is heavily dependent on farm machinery and equipment, which on average accounts for over eight percent of assets owned by farmers and ranchers. In fact, farm machinery and motor vehicles in use in 2014 were valued at almost \$260 billion, according to the USDA.

The USDA also finds that a majority of farmers and ranchers generally finance business equipment and machinery for a period of five years. Currently however, the allowed number of years to depreciate such equipment does not align with the average period of debt service, thus depriving those in the industry of potentially higher tax benefits that could otherwise be used toward the financing of related payments.

H.R. 4474 would correct this discrepancy by aligning depreciation and debt service for farm equipment and machinery with a five-year depreciation schedule. It is projected that doing so would increase after-tax farm income around \$1 billion annually. With net farm income this year projected to fall by almost half of what it was in recent years, farmers and ranchers need relief wherever possible.

While ATR does support the eventual repeal of depreciation schedules, moving instead to full business expensing, for now H.R. 4474 is a productive step to allow farmers and ranchers to better manage costs and reduce their tax burden.

I urge you to support and vote for H.R. 4474, the Fairness for Agricultural Machinery and Equipment Act.

Sincerely,

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