

From: SAFE (Saving America's Family Enterprises)
Re: Public Opposition to the STEP Act

From August 10th to August 13th, 2021, Saving America's Family Enterprises (SAFE) conducted a nationwide, online survey of likely voters. The survey was facilitated and fielded by Seven Letter Insight. The survey polled 1200 voters with a n=100 oversample of Black voters and a n=100 oversample of Hispanic voters. The survey's margin of error is +/-2.8%. The likely voter sample modeling utilized in this survey mirrors 2020 voting results.

The STEP Act and similar proposals seek to fundamentally change the way that our tax code interacts with inherited assets. The legislation removes the 'Stepped-Up-Basis' Rule for inherited assets, assessing a capital gains tax on the full, increased value of those assets from the time they were acquired by the deceased to the time they are passed on. This assessment happens immediately upon transfer (as opposed to when assets are potentially sold), treating inheritance of a business, home, land, or equipment more similarly to the sale of assets.

Previous polling has shown that once voters understand how the STEP Act and similar proposals function, they ultimately oppose them, taking significant issue with the idea of immediately 'treating death and inheritance as the realization of a gain.'

Furthermore, research shows that many voters believe that the STEP Act and similar proposals will likely wind up affecting the middle class most ... despite the \$1 Million exemption. As a result, there has been discussion of raising the limit of the exemption and carving out further exemptions for specific industries entirely.

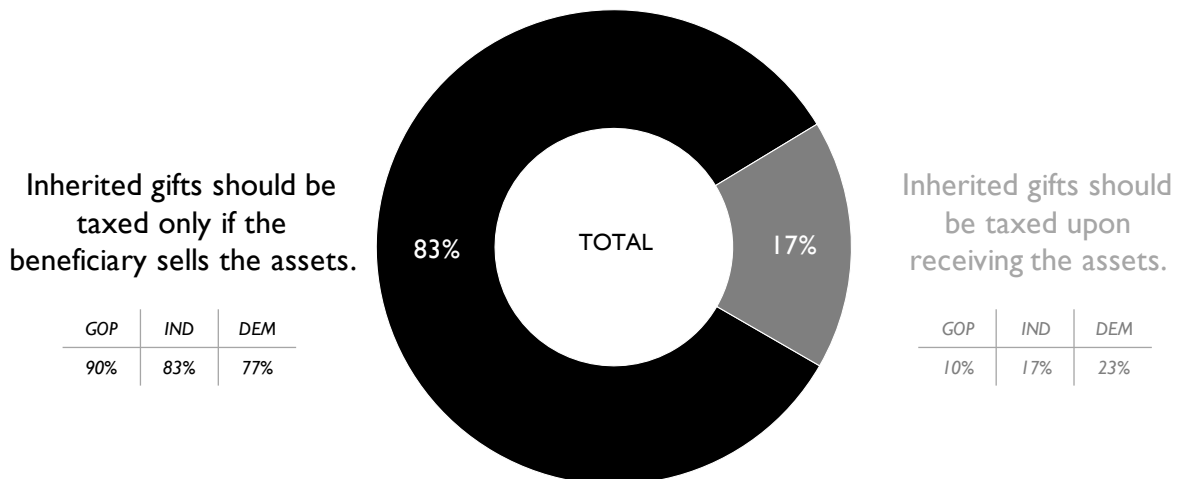
New polling suggest that voters oppose this strategy.

This opposition is rooted in voters' past experience and perception with this type of law. They know that wealthy individuals and large corporations will hire CPAs and lawyers to locate loopholes so that they can avoid paying. They know that there are always unintended consequences when tax law is shifted so fundamentally. And ultimately, they have confidence in the ability of millionaires, billionaires, and large corporations to navigate the shift – and believe middle class voters will be left holding the tab.

KEY FINDINGS:

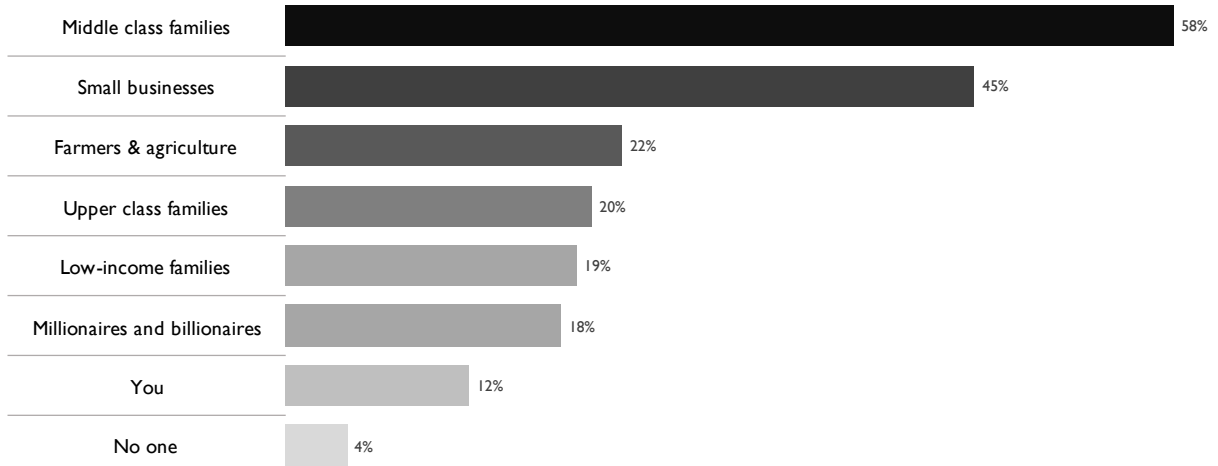
- 1. Voters simply don't agree with the "immediacy" of the tax.** In fact, voters consistently describe this concept as the most troubling aspect of the STEP Act. 83% of voters believe that inherited gifts should be taxed only if the beneficiary sells the assets. Doing otherwise – taxing the assets immediately upon receipt – essentially treats inheritance the same as a sale – against the wishes of the deceased.

Which of the following statements comes closest to your opinion about taxing gifts left to loved ones after someone passes away?



2. **85% of voters agree that the STEP Act will affect hardworking middle-class families the most.** In fact, they believe that increased exemptions won't seek to protect the middle-class, but rather will create "readymade loopholes" for the wealthy to exploit.

Who do you believe will be the MOST impacted if the STEP Act is passed?
(Top two choices combined)



- a. 81% of voters agree that – despite good intentions – the STEP Act won't JUST affect the wealthy – that it will apply to all hardworking taxpayers, including the middle class. This would classify as a "new tax" even after the Biden Administration promised not to raise taxes on the middle class during the 2020 campaign.
- b. 79% of voters (across party lines) agree that increased exemptions or carve outs for the agriculture industry could simply create a 'landowner loophole' for the wealthiest Americans. Afterall, Jeff Bezos and Bill Gates are near the top of the list of largest landowners in the country.
3. **Voters believe that the STEP Act blocks social mobility.** 82% agree with the statement that *"In America, we value the ability to pass on what we've built to our loved ones. The STEP Act reduces our ability to do that. The government winds up taxing a large chunk of what we built, limiting social mobility."*
- a. 78% of voters see the STEP Act as explicitly discriminatory – slowing upward mobility for groups that finally have a shot at the American Dream for themselves and their kids. 71% of Black voters and 74% of Hispanic voters agree.
- b. 78% of voters agree that wealthy Americans have benefitted for years from a tax code that shelters inheritances from the government. Now that a more diverse group of Americans have something to pass on to the next generation, the STEP Act would remove these benefits for hardworking Americans, limiting social mobility.
4. **83% of voters – including 77% of Democrats – believe that the STEP Act will ruin family businesses and endanger jobs.** As family-owned businesses are passed down to the next generation, this burdensome new tax will necessitate the selling of equipment or land simply to pay the IRS. Instead of inheriting a business to build and grow, the next generation of America's entrepreneurs will inherit a crippling tax bill.
- a. 86% of voters believe that the STEP Act could stifle investment and growth. The STEP Act effectively removes motivation to grow a family-owned business beyond the exemption cap. Doing so means a larger tax bill when the next generation takes the reins.

5. Voters believe the STEP Act is a step in the wrong direction.

- a. 78% of voters agree that we don't need additional rules and regulations in our tax code. It's complicated enough. Furthermore, we already have an estate tax in place. There's no need to introduce another round of taxation.
- b. 78% of voters believe that the STEP Act's readymade loopholes will make income inequality WORSE in America. This view is held by both lower income voters (82% agree) as well as higher income voters (85% agree).
- c. 67% of voters DISAGREE that their children should be responsible to pay taxes on the increased value of their inherited assets.
- d. As the drafters of the legislation strike deals and discuss increasing the exemptions to try to fix its deficiencies, 57% of voters believe that increasing the exemption above \$1 million simply creates a loophole that allows millionaires and billionaires to pay the tax created by the STEP Act.

Legislators should exercise extreme caution when supporting the STEP Act and similar pieces of legislation. Once voters fully understand the pros-and-cons of the legislation ... that while it is meant to address income inequality and fund social infrastructure projects...

... it also treats death as the '**realization of a gain**' and effectively creates a **brand-new tax**...

... it has **dire unintended consequences** for the middle class and small businesses...

... that increased exemptions create **readymade loopholes** for millionaires and billionaires...

...and that it potentially **limits social mobility** and **increases income inequality**...

... nearly 6-in-10 firmly **oppose** this legislation - including a near majority (47%) of Democrats. Those voters will be significantly **LESS** likely to vote for an elected official who votes FOR the STEP Act, and significantly **MORE** likely to vote for an elected official who votes AGAINST the STEP Act.

