NATIONAL COUNCIL OF STATE AGRICULTURAL FINANCE PROGRAMS

www.stateagfinance.org

Proposals to Enhance Financing Opportunities for First Time Farmers and Ranchers

February 2014

The National Council of State Agricultural Finance Programs represents 22 member states each of which offers one or more financing programs for farmers, ranchers and/or agribusiness in their state. The single most common program within this group is the Tax Exempt Agricultural Bond for Beginning Farmers, or "Aggie Bonds." In addition, many National Council members make direct loans to farmers and ranchers that are not able to obtain conventional financing and use Farm Service Agency guarantees on these loans. Other financing programs offered include state loan guarantees and loan participations. The following legislative recommendations for Aggie Bonds will enhance affordable financing opportunities for beginning farmers and ranchers.

Agricultural "Aggie" Bond Improvements to Assist Young Farmers and Young Ranchers:

- **Increase the loan limit on depreciable farm improvements.** During the 2008 Congressional session, the maximum Aggie Bond loan amount was increased from $250,000 to $450,000 and indexed for future years. At that time, it was assumed that the maximum loan for farm improvements (mainly livestock facilities) would also increase. Unfortunately, after the bill was enacted, it was discovered that the farm improvement loan amount was in a different section of the tax code and therefore did not increase. The maximum loan amount increase is needed, due to the greatly increased costs to acquire depreciable Ag property (including all Ag buildings, breeding livestock, and equipment/machinery). It should be increased to the current maximum real estate loan amount of $509,600 (2014) and similarly indexed.
- **Change the definition on previously owned real estate.** Under current law, a beginning farmer is not eligible if they have previously owned or currently own more than 30% of the median size farm in the county. The median farm size is determined every 5 years by the USDA Census of Agriculture. During the last census, USDA changed the definition of a farm they used to calculate the median size farm. Due to this change it was not uncommon to have the median size farm reduced by 100 acres in some counties. This greatly affected the eligibility of many beginning farmers nationwide. In order to return to a more realistic definition, the word "median" should be changed to average. This would restore eligibility levels to the pre February 2009 levels.

Farm and ranch land ownership beginning farmers is critical to the future of family farms in America. Aggie Bonds are one of the most cost-effective ways to lower interest rates for beginning farmers' capital purchases. Local lenders administer the loans and state agencies issue the federally tax exempt bonds.

Agricultural (Aggie) Bonds are narrowly targeted to beginning farmers for purchases of farmland equipment, breeding stock & farm improvements. These beginning farmers receive below market interest rates from local lenders because of the federal tax exemption on Aggie Bonds. The federal tax savings are passed through to beginning farmers as lower interest rates. The reduction in rate is typically 20-25%.

Aggie Bonds differ from other tax exempt bonds that are used for manufacturing and housing. Aggie Bonds cannot exceed $509,600 (2014). These bonds are not rated, are not underwritten and not sold into capital markets. Aggie Bonds use is restricted to beginning farmers who do not already own a significant amount of land. Typical IRB's are rated, underwritten and sold in multi-million dollar packages to investors.

Aggie Bonds are an excellent example of an efficient; public/private relationship Local lenders make the credit decisions and take the risk of the loans made to the beginning farmers. They purchase the Aggie Bonds as direct, private placements. The federal tax exemption is passed thru to each borrower as a reduced interest rate without risk or administrative cost to the federal government.

The National Council of State Agricultural Finance Programs
www.stateagfinance.org
523 East Capitol Ave * Pierre, SD 57501
Phone: 605-773-4026

October 22, 2013

<<Name>>
<<Address>>
Washington, DC 20510

Dear <<name2>>:

The National Council of State Ag Finance Programs (NCOSAFP) is a 22 member organization representing state agencies and other groups that finance agricultural related projects: specifically, for first-time farmers and ranchers.

State "Aggie Bond" programs utilize tax-exempt, private activity bonds. The bonds utilize a portion of each state's tax-exempt volume cap to issue bonds for first-time farmers and ranchers. With increasing land values and federal budget cuts to USDA Farm Service Agency (FSA), these bonds are essential for first-time farmers and ranchers to get their start in farming at reasonable rates and terms.

Studies indicate that the average age of farmers is approaching 60 years; therefore, it is imperative that bonds issued under these programs remain exempt from taxation to provide incentives for bond purchasers to finance farmers who generally have limited equity and lack available capital.

Since the 1980's, Aggie Bonds have been an important tool for states to utilize when approached by first-time farmers and ranchers. In recent years, with the interest rate market at an all-time low, there has been an increased desire for contract sellers to utilize the Aggie Bond benefits as well. These programs; along with other tax-exempt programs utilized at the state level, are not only stimulating economic growth, but also enhancing the agricultural viability of the nation; a nation tasked with the responsibility of feeding the world.

It is critical that the Aggie Bond provisions in the tax code, section 147(c) (2), are maintained for tax-exempt qualifications. If you have any questions regarding the NCOSAFP or Aggie Bond programs specific to your State, please contact us.

Regards,

Terri LaBrie, President
NCOSAFP

Member States

Arkansas	California	Chester County, PA	Colorado	Georgia	Illinois
Iowa	Kentucky	Louisiana	Maine	Maryland	Minnesota
Missouri	Montana	Nebraska	N. Carolina	N. Dakota	Pennsylvania
South Dakota	Utah	Vermont	Virginia		

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(Original Signature of Member)

113TH CONGRESS
2D SESSION

H. R. ________

To amend the Internal Revenue Code of 1986 to expand certain exceptions to the private activity bond rules for first-time farmers, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. LATHAM introduced the following bill; which was referred to the Committee on ____________________

A BILL

To amend the Internal Revenue Code of 1986 to expand certain exceptions to the private activity bond rules for first-time farmers, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. EXPANSION OF CERTAIN EXCEPTIONS TO THE PRIVATE ACTIVITY BOND RULES FOR FIRST-TIME FARMERS.

(a) INCREASE IN DOLLAR LIMITATION.—

(1) IN GENERAL.—Section 147(c)(2)(A) of the Internal Revenue Code of 1986 is amended by striking "$450,000" and inserting "$509,600".

(2) REPEAL OF SEPARATE LOWER DOLLAR LIMITATION ON USED FARM EQUIPMENT.—Section 147(c)(2) of such Code is amended by striking subparagraph (F) and by redesignating subparagraphs (G) and (H) as subparagraphs (F) and (G), respectively.

(3) QUALIFIED SMALL ISSUE BOND LIMITATION CONFORMED TO INCREASED DOLLAR LIMITATION.—Section 144(a)(11)(A) of such Code is amended by striking "$250,000" and inserting "$509,600".

(4) INFLATION ADJUSTMENT.—

(A) IN GENERAL.—Section 147(c)(2)(G) of such Code, as redesignated by paragraph (2), is amended—

(i) by striking "after 2008, the dollar amount in subparagraph (A) shall be increased" and inserting "after 2014, the dollar amounts in subparagraph (A) and section 144(a)(11)(A) shall each be increased", and

(ii) by striking "2007" in clause (ii) and inserting "2013".

(B) CROSS REFERENCE.—Section 144(a)(11) of such Code is amended by adding at the end the following new subparagraph:

"(D) INFLATION ADJUSTMENT.—For inflation adjustment of dollar amount contained in subparagraph (A), see section 147(c)(2)(G).".

(b) SUBSTANTIAL FARMLAND DETERMINED ON BASIS OF AVERAGE RATHER THAN MEDIAN FARM SIZE.—Section 147(c)(2)(E) of such Code is amended by striking "median" and inserting "average".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to bonds issued after the date of the enactment of this Act.

Monday, March 24

11:30 Lunch -Bullfeathers
410 1st St SE

MT/NE	Time	Place	Contact	Title	Office	
	1:00	206 Cannon	Daniel Gerig	Ag LA	Congressman Steve Daines - MT	1
	1:30	218 Cannon	Lindley Kratovil		Congressman Scott Tipton	1
	2:00	2217 Rayburn	Ian Manzano	LA	Congressman Tom Latham	1
	2:30	1527 Longworth	Evan Jurkovich		Congressman Dave Loebsack Rush, IA-2	1
	3:30	404 Russell	Ben Conner		Senator Mike Johans	1
	4:00	Courtyard II	Ben Thomas		Senator Walsch	1
PA/NC	1:00					
	1:30	503 Cannon	Mary Kuehn		Congressman Keith Fothfus PA-12	1
	2:00	1013 Longworth	Jana Gordin	LA	Congressman Nunes-California's 22nd Dist	1
	2:30					
	3:00	393 Russell	Jennifer McCloskey	Tax LA	Senator Bob Casey- Pennsylvania	1
	3:30	2301 Rayburn	Brenden Chainey		Congressman Chaka Fattah, PA-2	1
	4:00	2210 Rayburn	Tommy Binion		Congressman Steve King IA-4	1
	4:30	2402 Rayburn	James Thomas		Congressman Doug Lamborn (?) CO	1
ND/SD	1:00					
	1:30					
	2:00	506 Hart	Pat Bond		Senator Claire McCaskill (D-Mo)	1
	2:30	136 Hart	Johanna Elsemore		Senator Tim Johnson - SD	1
	3:00	711 Hart	Emily Sullivan		Senator Dick Durbin (D-IL)	1
	3:30	524 Hart	Steve Keen		Senator Mark S. Kirk (R-Ill.)	1
	4:00	502 Hart	Jack Huerter		Senator Heidi Heitkamp - ND	1

5:00 Debrief- Tortilla Coast
400 First St SE

Tuesday, March 25

MT/NE	Time	Place	Contact	Title	Office	
	9:30					
	10:00	328 Cannon	Mark Roman	Tax LA	Congressman Aaron Schock Illinois's 18th Dist	1
	10:30	227 Cannon	Shauna Yandell	Tax LA	Congressman Peter Roskam- IL 6th Dist	1
	11:00					
	11:30					
	12:00					
	12:30					
	1:00	706 Hart	Kellin Clark		Senator Montana Jon Tester	1
	1:30	730 Hart	Leo Berrar	AG LA	Senator Yudoll (?) CO	1
	2:00					
	2:30	435 Cannon	Erik Rust		Congresswoman Ann Wagner- MO-2	1
	3:00					
	3:30	2241 Rayburn	Josh Jackson	Tax LA	Congressman Adrian Smith- NE 3rd Dist	1
	4:00					
	4:30	383 Russell	Michelle Weber/Sarah Wellman		Senator Deb Fischer - NE	1
PA/NC	9:30	1415 Longworth	Jonathon Mason		Congressman Sam Graves - MO-6	1
	10:00	1516 Longworth	Philip Newman		Congressman Mark Meadows, NC-11	1
	10:00	1419 Longworth	Shelby Boxenbum		Congressman Matthew Cartwright (D-PA)	1
	10:30	2400 Rabum	Alexandria Patruchi		Congressman Mike Fitzpatrick - PA	1
	11:00	204 Cannon	Jimmy Gray		Congressman Pat Meehan PA-7	1
	11:30					
	12:00					
	12:30	317 Cannon	Garrett Fields/Mike Lusko		Congressman Brad Schneider- IL-10	1
	1:00	2423 Rayburn	Melissa Kiedrowicz	Tax LA	Congresswoman Sanchez CA 38th Dist	1
	1:00	1227 Longworth	Gary Gorski	Tax & Ag	Congresswoman Allyson Y. Schwartz (D-Pa.)	1
	1:30					
	2:00	2455 Rayburn	Dan Martini		Congressman Charlie Dent- PA 15	1
	2:00	426 Cannon	Adam Woods		NC	
	3:00	410 Cannon	Jaclin Lewis		Congressman Tom Moreno - PA	1
	3:30					
	4:00	1717 Longworth	Frank Pigulski		Congressman Daniel Lipinski- IL-3	1
	4:30	115 Cannon	Thomas Lamberti		Congressman Lou Barletta- PA-11	1
ND/SD	9:30	1431 Longworth	Terri Fish	Tax LA	Congressman Bouseny - Louisiana 3rd Dist	1
	10:00	1023 Longworth	Joe Tvrdy		Congresswoman Vicky Hartzler (R-MO)	1
	10:30	1722 Longworth	Stuart Megaw		Congressman William L. Enyart (D-IL)	1
	11:00	135 Hart	Chris Conlin	Tax LA	Senator Chuck Grassley- Iowa	1
	11:30					
	12:00					
	12:30	458 Russell	Courtney Davis		Senator Bennett - CO	1
	1:00	338 Russell	Jeffrey Rustvang		Senator John Hoeven - ND	1
	1:30					
	2:00	1032 Longworth	Mark Gruman		Congressman Kevin Cramer- ND	1
	2:30					
	3:00	511 Dirksen	Paul Poteet/Lynn Tjeerdsma	Tax LA	Senator John Thune- SD	1
	3:30					
	4:00	1541 Longworth	Curtis Trent		Congressman Billy Long (R-Mo.)	1
	4:30	1323 Longworth	Renee Munasifi		Congresswoman Noem -SD	1

5:00 Debrief - Pour House
319 Pennsylvania Ave SE

Wednesday, March 26

9:00 Breakfast meeting
w/ John Blanchfield
The Dubliner Number 4
F Street

MT/NE	Time	Place	Contact	Title	Office	
	11:00	1433 Longworth	Courtney Krause		Congressman Jared Polis- CO-2	1
PA/NC	9:30		John Busovsky		Congressman Thompson PA-5	1
	10:30	1519 Longworth	Tricia Casico/Lori Prater	Ag/Tax	Rep. Mike Kelly (R-Pa.) *ways and means*	1
	11:00	248 Russell	David Goldfarb		Sen. Patrick J. Toomey (R-Pa.)	1