



UPDATE

The following information has been updated as of May 8, 2008, to reflect the final agreement on the farm bill tax package.

2008 FARM BILL TAX PACKAGE: RELIEF FOR FARMERS AND RANCHERS

America's farming families sacrifice a lot to feed this country – and the farm bill can lighten the load that agricultural producers carry with well-targeted tax relief. The final farm bill conference report will include a number of tax relief provisions to encourage and enable the major financial investments that farmers make throughout their lives – helping them start farming, helping them stay financially afloat, and making the tax code fairer for those who make a living working the land.

A number of the tax relief provisions include are outlined below. In addition to those listed here, additional provisions promote homegrown energy independence, endangered species recovery, and land conservation.

- **Help for Farmers Starting Out:** “Aggie Bonds” are tax-exempt bonds that provide low-interest loans for first-time ranchers and farmers. The Aggie Bond program has not been updated in 26 years – in which time farm costs have risen exponentially. The bill will increase the loan limit for an individual beginning farmer from \$250,000 to \$450,000, and index the limit amount for inflation. The proposal also allows more beginning farmers – including those with a previous stake in family farm land – to qualify for Aggie Bonds. This provision costs \$20 million over ten years.
- **Tax Relief for Retired and Disabled Farmers:** Retired and disabled farmers frequently live on small incomes. Many participate in conservation programs to preserve their land while they live there, and the Conservation Reserve Program provides payments to landowners who rest environmentally sensitive land and engage in certain conservation practices. The bill will keep CRP payments to retired or disabled individuals from reducing Social Security or disability payments, and also exempt the income from self-employment taxes. The cost is \$192 million over ten years.
- **Support for Agricultural Businesses:** Agricultural chemicals and pesticides purchased for legitimate uses are increasingly vulnerable to theft because of the drug trade and national security threats. Some agricultural businesses may pay tens of thousands of dollars on new measures to secure their storage sites. This proposal will help agricultural businesses afford the increasing expenses of protecting agricultural chemicals and pesticides. The bill will provide a credit for 30 percent of costs for the protection of agricultural chemicals or pesticides, with a \$2 million annual limit and a per facility limitation of \$100,000. The cost is \$14 million over ten years.

(see reverse)



SENATE FINANCE AGRICULTURE TAX PACKAGE: RELIEF FOR FARMERS AND RANCHERS

(continued)

- **Equal tax treatment for equine livestock:** The current depreciation schedule for the cost of a race horse does not recognize that most horses held for sporting purposes end their sporting careers by age four. Right now, a sporting horse bought at less than two years old and trained for racing must be depreciated over seven years. Racing horses bought at more than two years old can be depreciated over three years. The bill creates a uniform depreciation period of three years for all race horses. The provision costs an estimated \$126 million over ten years.
- **Flexibility for Landowners with Water Rights:** Some state water rules keep farmers and ranchers from selling their land when they need or want to. The bill will allow the tax-free exchange of stock that represents a holding of water rights, just as allowed for real property under Section 1031 of the tax code. The cost is \$2 million over ten years.
- **Kansas Tornado Disaster Relief:** Farm country is often tornado country, and this proposal provides timely, temporary tax relief to the victims of tornados and storms that hit the Greensburg, Kansas area. Temporary assistance including increased ability to deduct personal losses, increased business expense deductions, and help for affected businesses that continued to pay their employees after the disaster struck are available only to individuals and businesses in the presidential disaster declaration area. The cost is \$60 million over ten years.