

# THE BOND BUYER

## Aggie bond legislation revived in Senate

By

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Legislation that would update Internal Revenue Service rules governing debt financing for small to mid-sized manufacturers and farmers is getting a fresh push in the Senate.

The Modernizing Agricultural and Manufacturing Bonds Act is sponsored by Sens. Sherrod Brown, D-Ohio, and Joni Ernst, R-Iowa.

"By modernizing and clarifying the rules for aggie bonds and industrial development bonds for the first time in over thirty years, we can ensure that first-time farmers and entrepreneurs can access the capital they need to get started, create jobs, and fuel our communities," said Ernst in a written statement.

The proposed changes aim to increase the limitation on small issue bond proceeds for first-time farmers, triple the cap on industrial development bonds to \$30 million from \$10 million, allow up to a quarter of bond proceeds to be used for facilities that are located on or near the same site, align aggie bond definitions with U.S. Department of Agriculture Farm Service Agency, and expand the definition of "manufacturing."



"After 2009, Congress really began to focus on tax reform," said Toby Rittner, president and CEO of the Council of Development Finance Agencies. "With a renewed interest by both Republicans and Democrats in these types of technical corrections and reforms, we are back at the table with MAMBA." *Council of Development Finance Agencies*

Industrial development bonds are a type of tax-exempt private activity bond that's issued by a state or local government. A private business receives the proceeds of the bond and is responsible for paying off the principal and interest. Aggies are tax exempt paper issued by the state or the federal government to beginning farmers.

There have been tweaks made to the IRS rules over the years, but PAB supporters trace the lack of major updates to a loss of Congressional attention.

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According to the CDFA, the desired [updates](#) to manufacturing are related to "more modern, high-tech, and intangible manufacturing practices such as biotechnology, energy generation, food processing, software, design and formula development, and intellectual property."

CDFA believes tax exempt financing should be extended to include "manufacturers that produce software, patents, copyrights, formulas, processes, designs, patterns, know-how, format, and similar intellectual property."

The legislation also touts backing from the farming community including support from the Ohio Farmers Union, National Young Farmers Coalition, and the Ohio Farm Bureau.

"The resources available in the MAMBA Act will allow those looking to become part of agriculture opportunities that otherwise would be out of reach," said Jack Irvin, VP, public policy, Ohio Farm Bureau. "We look forward to working with lawmakers to pass this bill to ensure a strong future for our nation's farm and food sectors."

MAMBA has plenty of backers while opposition to the legislation is less than clear.

"There has never once been an objection to the cost," said Rittner. "We've never heard or read or experienced any outright objection to the bill. I think that prior to this current Congress, there was not an appetite for more tax reform after a decade of dealing with that body of work."

This past [June](#) MAMBA made an appearance in the House by way of an introduction by Rep. Darin LaHood, R-Ill. In [2020](#) House Democrats tried tying MAMBA, which included provisions for advance refunding to the Bipartisan Infrastructure Bill. Hopes are high for a brighter future.

"We expect this to get play in the Farm Bill when it is addressed and passed," said Rittner. "We also have had positive conversations with both tax writing committees about inclusion in an end of the year tax extender package. We have bipartisan support, and the bill has a low cost when scored. We feel like we are just months from potential passage."