

Bill would ease PAB restrictions for first-time farmers

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Published April 03 2017, 4:56pm EDT

More in Private activity bonds Farm and rural mortgages Tax-exempt bonds

WASHINGTON – Rep. David Young, R-Iowa, has introduced a bipartisan bill that would ease tax-exempt private activity bond restrictions for first-time farmers.

The Facilitating Farmers Access to Resources and Machinery Act, H.R. 1750, has five co-sponsors – the other four Iowans in the House, Reps. Dave Loebsack, a Democrat, Rod Blum, a Republican, and Steve King, a Republican, as well as Reps. Collin Peterson, a Democrat from Minnesota and Darin LaHood, a Republican from Illinois.

Roughly 19 states in the nation provide financing programs for first-time farmers, with the largest being Iowa, according to the Council of Development Finance Agencies.

The federal tax code currently permits first-time farmers to use up to \$450,000 of tax-exempt private activity bond proceeds for land or depreciable property. The law was amended in 2007 to provide a cost-of-living adjustment that effectively took that amount up to \$524,200. The bill makes clear the amount is \$524,200 and adjusts it annually for inflation going forward from 2017, rather than 2007.

The current tax code limits to \$62,000 the amount of tax-exempt PAB proceeds that can be used to finance the purchase of used farm equipment. The bill would repeal this limit.

Under the law, the proceeds cannot be used for any issue if more than \$250,000 of the net proceeds of the issue are used to provide depreciable farm property for which the principal user is or will be the same person or two or more related persons. The bill would raise the amount of net proceeds to \$524,200 from \$250,000.

Current tax law, in determining whether a farmer is first-time, says he or she must not have previously owned and operated "substantial farmland," defined as land equal in size or larger than 30% of the median size of farms in the same county. The bill would change "median" to "average," which would probably mean an increase in size because very large farms would affect the average more than the

median. One Iowa official said that a number of small "hobby farms" have started up in some states and have been skewing the numbers downward.

The bill has been referred to the House Ways and Means Committee.

Six states issued tax-exempt agricultural bonds in 2015, according to an annual survey done by CDFA. Iowa issued \$16.9 million, Pennsylvania \$8.6 million, Nebraska \$700,000, Minnesota \$500,000, Maryland \$300,000 and South Dakota at least \$200,000, according to the survey.

Other states that can issue such bonds are: Arkansas, Colorado, Idaho, Illinois, Indiana, Kansas, Missouri, Montana, North Dakota, Oklahoma, and Wisconsin, according to CDFA. Maine and New York are implementing programs, it said.