



Congress of the United States
House of Representatives
Washington, DC 20515

SUPPORT BEGINNING FARMERS AND RANCHERS
Cosponsor H.R. 3817, the Agricultural Bond Improvement Act

October 24, 2007

Dear Colleague,

We would like to invite you to cosponsor H.R. 3817, the Agricultural Bond Improvement Act. This bipartisan legislation gives farmers and ranchers the financial resources they need to enter into the farming business.

The future of production agriculture in our country depends on the perpetual entrance of new farmers into the industry. The average age of primary farm operators has steadily risen. In 2002, just 7 percent of farms were operated by a farmer under age 35 which represents a decline of over 60 percent in the twenty years since 1982.

Perhaps one of the most difficult challenges for beginning farmers and ranchers is getting access to capital. Farming and ranching requires expensive land, equipment and breeding livestock, and it is often difficult for beginning farmers to get started.




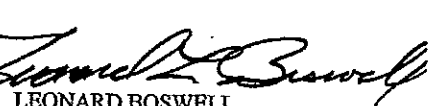
Beginning Farmer Loan Programs are offered in 16 states to help alleviate this problem. The loan uses a tax-exempt bond program designed to assist beginning farmers to acquire agricultural property at lower interest rates. The bonds are known as "Aggie Bonds," and the program enables lenders and other entities to receive tax-exempt interest. These bonds have been used since 1981 and the program has been very successful.

As farming and ranching change, we must help young farmers get started and keep the programs developed to assist our producers up-to-date. We introduced the Agricultural Bond Improvement Act (H.R. 3817) to modernize the current "Aggie Bond" program. The bill would:

- **Exempt Aggie Bonds from the volume cap on industrial revenue bonds** in order to allow states to meet the demand for Aggie Bonds and allow other states to start Aggie Bond programs;
- **Increase the loan limits on Aggie Bonds to \$450,000 and index the limit to inflation** because the present limit of \$250,000 has been in effect since the program was first offered and is too low due to inflation; and
- **Eliminate the dollar limitation on owned farmland and only use the acreage restriction of 30 percent of the average size farm in the county.**

According to the Current Population Survey's ranking of all occupations by age, farmers and ranchers are the 6th oldest of 400 occupations. Please consider cosponsoring this important farm legislation. Should you have any questions, please contact Diane Oakley in Congressman Pomeroy's office (5-2611) or Brent Boydston in Congressman King's office (5-4426).

Sincerely,

EARL POMEROY **STEVE KING** **KENNY HULST** **LEONARD BOSWELL**
 Member of Congress Member of Congress Member of Congress Member of Congress

The Agricultural Bond Improvement Act (H.R. 3817)

The Agricultural Bond Improvement Act (H.R. 3817) proposes three changes to the existing Agricultural Bond (Aggie Bond) language contained in the Internal Revenue Code of 1986. Aggie Bonds are small, private placement bonds used by young farmers and ranchers and cannot exceed \$250,000, currently. The improvements that H.R. 3817 would make are:

- **Provide Relief from Limits of the Industrial Revenue Bond (IRB) Cap** – Section 2 of the bill would exempt Aggie Bonds from the limitation of a state's IRB Cap. Currently most states offering the Aggie Bond program must compete with housing, manufacturing, etc. for allocation under the bond cap. Exempting Aggie Bonds from the volume cap would greatly enhance the opportunities for young, less established farmers and ranchers to acquire affordable, low cost credit for land purchases. There are states that cannot meet the demand for Aggie Bonds because they do not have enough volume cap allocation. Also, there are other states that want to start an Aggie Bond Program but can't because their state's volume cap is already used up.
- **Increase the Maximum Bond Amount to \$450,000** - Section 3 of the bill would increase the maximum to \$450,000 and index the maximum to inflation annually. The current maximum of \$250,000 has been in place since the program was created in 1980. Assuming nominal inflation of about 3% per year, \$250,000 in 1981 would be equivalent to \$450,000 today. (QUESTION – what would the number be with actual CPI?) In future years, the maximum bond should be indexed using the same index that FSA uses to adjust its maximum loan amount.
- **Allows Beginning Farmer to Use Aggie bonds if owned farmland exceeds \$125,000** - Section 4 of the bill would repeal the maximum \$125,000 value of current or previously owned real estate. In addition to the \$125,000 maximum value, current law also restricts current or previous land ownership to 30% of the median size farm in the county. This section would also change the current or previously owned real estate threshold from 30% of the median size farm in the county to 30% of the average size farm putting the limits in line with FSA loan limits. The two programs should be consistent and therefore the land ownership limitation should be changed to 30% of the average size farm.

For additional information, please contact Diane Oakley in Rep. Pomeroy's office (5-2611) and Brent Boydston in Rep. King's office at (5-4426).

Lead Sponsors

Rep. Earl Pomeroy (ND)
Rep. Leonard Boswell (IA)

Rep. Steve King (IA)
Rep. Kenny Hulshof (MO)

HR 3817 IH

110th CONGRESS

1st Session

H. R. 3817

To amend the Internal Revenue Code of 1986 to make improvements to assist young farmers and ranchers.

IN THE HOUSE OF REPRESENTATIVES

October 10, 2007

Mr. POMEROY (for himself, Mr. KING of Iowa, Mr. BOSWELL, and Mr. HULSHOF) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to make improvements to assist young farmers and ranchers.

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

SECTION 1. SHORT TITLE.

This Act may be cited as the 'Agricultural Bond Improvement Act of 2007'.

SEC. 2. EXEMPTION OF AGRICULTURAL BONDS FROM PRIVATE ACTIVITY BOND VOLUME LIMITS.

(a) In General- Section 146(g) of the Internal Revenue Code of 1986 (relating to exception for certain bonds) is amended by striking 'and' at the end of paragraph (3), by striking the period at the end of paragraph (4) and inserting ', and', and by inserting after paragraph (4) the following new paragraph:

'(5) any qualified small issue bond described in section 144(a)(12)(B)(ii).'

(b) Effective Date- The amendments made by this section shall apply to bonds issued after the date of the enactment of this Act.

SEC. 3. INCREASE IN LOAN LIMITS ON AGRICULTURAL BONDS.

(a) In General- Subparagraph (A) of section 147(c)(2) of the Internal Revenue

Code of 1986 (relating to general rule for exception for first-time farmers) is amended to read as follows:

(A) IN GENERAL-

(i) If the requirements of subparagraph (B) are met with respect to any land, paragraph (1) shall not apply to such land, and subsection (d) shall not apply to property to be used thereon for farming purposes, but only to the extent of expenditures (financed with the proceeds of the issue) not in excess of \$450,000.

(ii) In the case of any calendar year after 2007, the \$450,000 amount contained in clause (i) shall be increased by an amount equal to such dollar amount multiplied by the inflation percentage determined under section 305(c) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1925(c)) for the calendar year, determined by substituting 'calendar year' for 'fiscal year' each place it appears and by substituting '2006' for '1996' in paragraph (2) thereof. Any increase determined under this clause shall be rounded to the nearest multiple of \$100.'

(b) Conforming Amendment- Section 147(c)(2)(C)(i)(II) of such Code is amended by striking '\$250,000' and inserting 'the amount in effect under subparagraph (A)(i)'.

(c) Effective Date- The amendment made by this section shall apply to bonds issued after the date of the enactment of this Act.

SEC. 4. REPEAL OF DOLLAR AMOUNT IN DEFINITION OF SUBSTANTIAL FARMLAND.

(a) In General- Subparagraph (E) of section 147(c)(2) of the Internal Revenue Code of 1986 (defining substantial farmland) is amended to read as follows:

(E) SUBSTANTIAL FARMLAND- For purposes of this paragraph, the term 'substantial farmland' means any parcel of land unless such parcel is smaller than 30 percent of the average size of a farm in the county in which such parcel is located.'

(b) Effective Date- The amendment made by this section shall apply to bonds issued after the date of the enactment of this Act.

END