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FINANCE CHAIRMAN OUTLINES AGRICULTURE TAX PACKAGE

Baucus would create permanent disaster assistance, free up funds needed for farm bill, provide economic help and tax relief to American ranchers and farmers

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) today outlined his goals for an agriculture tax package that will create a permanent trust fund to help ranchers and farmers hurt by crop and livestock losses, convert a number of conservation payment programs into fully-offset tax credit programs, and offer additional incentives for rural economic development and energy-related tax relief to agricultural producers. Creating the disaster assistance trust fund and converting payment programs to tax credits will free up previously obligated spending funds for the Agriculture Committee to use elsewhere. Baucus said today that the Finance Committee will act in the next few weeks on \$8 billion to \$10 billion in new agriculture-related tax proposals.

“America’s farming and ranching families give their all to grow food, fuel, and other necessities for our nation, and our agriculture legislation will offer real support to hardworking producers,” said Baucus. **“I am working closely with Chairman Harkin to ensure that the Finance Committee bill will enable the Agriculture Committee to do more for ranchers and farmers, too.”**

Final details of the legislation, including scores, will be available upon release of a Chairman’s Mark for Committee consideration. Baucus outlined the elements as follows:

Permanent Agriculture Disaster Relief Trust Fund

Congress enacts emergency disaster assistance bills from time to time to assist farmers with crop failures due to natural disasters. However, no permanent safety net exists to help ranchers and farmers in crisis and to encourage banks to extend credit as needed. Baucus’s proposal for the Permanent Agriculture Disaster Relief Trust Fund would provide an ongoing program to offset farming income losses not covered by the crop insurance program. The fund would be paid for with various provisions under the jurisdiction of the Finance Committee.

Conservation Tax Credits

Participants in Farm Bill conservation programs, such as the Wetlands Reserve Program, the Grassland Reserve Program, and the Farm and Ranchlands Protection Program, currently receive cash payments for enrolling in these programs. Baucus’s proposal would allow participants in certain conservation programs to choose to receive tax credits instead of cash payments for easements. This action is expected to free up significant funds currently being spent from the Farm Bill baseline.

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Separately, Baucus's bill will also clarify that Conservation Reserve Program payments made to certain farmers participating in mandatory conservation activities are rental income, and not subject to self-employment taxes.

Rural Development Bonds

This proposal will create a new category of tax credit bonds for projects such as rural electric and telemedicine, rural broadband and other rural economic development community projects.

Energy Conservation Tax Incentives.

The Finance Committee-approved Energy Advancement and Investment Act of 2007 included several provisions that would help farmers and ranchers, including tax incentives for wind energy and other alternative energy, and to encourage farmers to grow alternative crops that are used to make ethanol, biodiesel and cellulosic biofuels. Baucus's agriculture tax bill will revisit a number of these proposals.

Baucus also intends to increase and improve the "Aggie Bond" loans available to first-time farmers and ranchers. Further additions to the agriculture tax bill are likely to include a permanent extension of the Rural Heritage Conservation tax deduction available to farmers who donate conservation easements.

Final details of the Baucus agriculture tax package will be released in the coming weeks, as Committee consideration of the measure is scheduled.

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