Another Year, Another Attempt To Pass A New Farm Bill

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In recent decades, Congress has been unable to pass a new farm bill in the same year in which one expired. But there was a glimmer or hope that a package containing between $24-$33 billion in savings might have been included in any type of deficit reduction package before 2012 closed.

Instead, Congress kicked the can down the road. Lawmakers managed to include a nine-month farm bill extension in a package aimed at preventing federal income taxes from increasing on millions of Americans and avoided steep spending cuts that would have automatically kicked in this month. However, those steep cuts were delayed until the end of February and the spending cut debate will renew again.

So what did the new year bring for agriculture? Probably the best news, at least for those of you who own land, was a change in the estate tax provisions.

The estate tax will be set at a new 40 percent rate on estates valued at more than $5 million per person. That's up from the 35 percent rate in effect for 2012, but better than some had expected.

The estate tax, known as the "death tax" in agricultural circles, threatened to revert back to the $1 million exemption and the 55 percent top tax rate had Congress taken no action.

According to American Farm Bureau Federation (AFBF) economist Matthew Erickson, that reversion would have meant that one out of every ten farms would owe an estate tax.

"American Taxpayer Relief Act of 2012" permanently sets the capital gains tax at 20 percent for those above the $400,000/$450,000 level, higher than the previous 15 percent. The Senate also reauthorized several tax extenders, including the 50 percent bonus depreciation.

The bill, H.R. 8, raises income tax rates for individuals making more than $400,000 and for couples making more than $450,000. President Obama had previously pushed for higher rates for earners making more than $250,000.

According to the White House, "the agreement extends tax relief for businesses through the end of next year. This means extending the Production Tax Credit, a key incentive for renewable energy that many Republicans had been trying to end, as well as the Research and Experimentation tax credit." The biodiesel tax incentive will be reinstated retroactively to Jan. 1, 2012 and run through the end of 2013. The wind production tax credit will be extended for one year.

While the bill prevents more than a trillion dollars in "sequester" budget cuts from kicking in until the end of February, it does not implement spending reductions or entitlement reform - saving that battle for when the U.S. will also need to increase its borrowing limit. House Republicans want to use the debt-ceiling vote to extract long sought after spending cuts.

Farm bill work starts again

Sometime in the next few weeks, the House and Senate Agriculture Committees will officially start on a new, 2013 farm bill. In the meantime, the farm bill extension authorizes most of the current programs for the next months, but doesn't provide funding for all. Left on the cutting room floor was funding for 21 farm bill programs, such as the value-added producer grants.

Direct payments, which were expected to be eliminated, are continued as part of the extension, but are not expected to be paid before the bill expires on Sept. 30. By extending authority for the payments in this package, lawmakers essentially protected their funding baseline.

While noting that an extension provides some level of certainty, many farm organization leaders offered sharp criticism. Chuck Conner, president of the National Council of Farmer Cooperatives, said while the bill would "avert tax increases for 98 percent of American taxpayers," it was "unfortunate" that the agricultural policy provisions were not extended as part of a five-year bill.

"The one-year extension of the farm bill contained in the legislation, while continuing funding for many important programs such as the Market Access Program, is deeply flawed," Conner said. "Most notably, the extension fails to include the market-based reform provisions of the Dairy Security Act, thereby leaving our nation's dairy farmers operating without a safety net at a time of high volatility in feed prices."

"These stop-gap efforts don't even qualify as kicking the can down the road," said Jerry Kozak, President and CEO of NMPF. "It's little more than a New Year's Day, hair-of-the-dog stab at temporarily putting off decisions that should have been made in 2012 about how to move farm policy forward, not offer more of the same."

"We are extremely disappointed in the Republican leader for proposing this deal and in the White House for accepting it," noted Ferd Hoefner, National Sustainable Agriculture Coalition. "The message is unmistakable – direct commodity subsidies, despite high market prices, are sacrosanct, while the rest of agriculture and the rest of rural America can simply drop dead."

But on the positive side, Hoefner said that the nine-month extension does allow USDA to restart a few programs that have lacked authority to continue since the last farm bill expired on Oct. 1, 2012. These include programs such as the Wetlands Reserve Program and the Grassland Reserve Program that have a modest amount of funding left over from the 2008 Farm Bill. Δ

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