# ACCOUNTING FOR ACCOUNTABILITY: INCORPORATING OVERSIGHT INTO THE § 139L PARTIAL INTEREST INCOME TAX EXCLUSION FOR LENDERS

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ABSTRACT

*Farmers, ranchers, rural residents, and their businesses currently face a wide range of issues, such as high costs of inputs, low market prices, and supply chain issues from uncertain trade conditions. High interest rates further increase the financial pressure on those individuals by raising the expense of a loan to purchase property, equipment, or other capital assets. As an incentive for lending institutions to make long-term rural and agricultural loans, Congress passed 26 U.S.C. § 139L on July 4, 2025, as a provision in the One Big Beautiful Bill Act. § 139L provides a 25% gross interest income exclusion to qualified lenders on qualified real estate loans. Congress passed § 139L so that lenders would lower the cost of borrowing for their rural and agricultural customers; however, the Act does not contain any requirement to pass down the tax benefit through lower interest rates or any other service in accordance with that goal. This Comment will propose an amendment to § 139L to require lenders to provide savings and aid to borrowers and to report progress on that initiative to their supervisory agency. In addition, the amendment authorizes regulatory agencies to oversee the lenders in carrying out those initiatives and to revoke eligibility for the tax exclusion from lenders who do not comply with the statute's action or reporting requirements.*

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## I. INTRODUCTION

Since the 1930s, the number of farms in the United States has steadily declined from 6.8 million farms in 1935 to 1.88 million in 2024.[1] In the aftermath of the COVID-19 pandemic, farmers, ranchers, and American consumers face significantly higher costs of goods and reduced revenue.[2] Many farmers, whose families have successfully grown crops or raised livestock for generations, harvested exceptional yields this year yet still labeled it as one of their worst years ever in terms of returns.[3] Under current market price and trade conditions, Americans who rely on selling agricultural commodities for their annual income must navigate uncertainty in pursuit of retaining a future for their operations.[4]

A myriad of conditions in the current economy combined to create an untenable situation for agricultural producers, rural residents, and businesses.[5] The current prolonged period of unprecedentedly high costs of critical inputs, such as fertilizer, along with rising interest rates on already expensive equipment, such as cotton pickers, combines, and tractors, weighs on farmers.[6] Ranchers similarly face steep price increases on essential products to raise their livestock, like steel and aluminum fencing and feeders.[7] Elevated expenses, combined with falling market prices for livestock and crops, create precarious and unsustainable conditions for farmers and ranchers to earn their livelihoods.[8] Tariffs, trade disputes, and droughts additionally worsen the concerns of agricultural producers by causing uncertainty in commodity buyers, greater variation in already seasonal income, and reliance on safety net programs.[9] Rural homeowners,

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1. Katherine Lacy, *Farming and Farm Income: The Number of U.S. Farms Continues Slow Decline*, USDA ECON. RSCH. SERV. (Mar. 12, 2025), https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/farming-and-farm-income [https://perma.cc/DW92-3GJV].
2. John Newton, *Farmers Urgently Need Economic Assistance: Input Costs Outpacing Crop Revenue*, FB (Nov. 24, 2025) https://www.fb.org/market-intel/farmers-urgently-need-economic-assistance [https://perma.cc/679K-9SDS].
3. TEXAS FARM CREDIT, *Something's Gotta Change | Whatley Family*, at 01:16 (YouTube, Oct. 24, 2025) https://www.youtube.com/watch?v=XMWnHPMwqaQ&t=9s [https://perma.cc/82GE-X625] (providing a first-hand account of the current problems plaguing American agriculture and their impact on a South Texas family of fifth-generation cotton and milo farmers).
4. *Id.* at 01:27–03:00.
5. *See id.*
6. *Id.*
7. Lydia Johnson, Oliver Ward & Noah Wicks, *Daybreak Oct. 8: Trump Leaves Door Open to Alternate USMCA Arrangements*, AGRI-PULSE (Oct. 8, 2025, at 09:34 CST), https://www.agri-pulse.com/articles/23585-daybreak-oct-8-trump-leaves-door-open-to-alternate-usmca-arrangements [https://perma.cc/X58D-X93M].
8. *2023 Annual Report of the Farm Credit Administration*, FED. CREDIT ADMIN. 1, 14 (2023), https://www.fca.gov/template-fca/about/2023AnnualReport.pdf [https://perma.cc/68F2-UE8Z] [hereinafter *2023 Annual Report*].
9. Bart L. Fischer & Joe Outlaw, *If Crop Returns Are So Bad, Why Do Farmers Keep Planting?*, S. AG TODAY (Oct. 23, 2025) https://southernagtoday.org/2025/10/23/if-crop-returns-are-so-bad-why-do-farmers-keep-planting/ [https://perma.cc/5C6K-7WPL].

those with a town population of less than 5,000, also encounter financial difficulties in relation to those economic problems.[10]

As a matter of national security, the United States must always protect an enduring food supply and a consistent supply of other raw materials, such as wool, cotton, and timber for American citizens.[11] The United States Department of Homeland Security classified the food and agriculture sector as a "Critical Infrastructure Sector" due to its significant share of the gross domestic product (GDP) and national employment, interconnected nature to other sectors and global trade, and variety of essential goods and services.[12] Congress continually seeks methods to secure this critical sector by combating the issues currently threatening agricultural producers.[13]

This Comment will focus on one measure enacted recently with the potential to mitigate financial problems for agricultural producers.[14] Passed on July 4th, 2025, as part of the One Big Beautiful Bill Act (the Beautiful Bill), § 139L of the United States Code (§ 139L or the Act) excludes 25% of gross interest income from qualified loans made by qualified lenders.[15] § 139L, therefore, provides a tax incentive to financial institutions to lower the cost of borrowing for farmers, ranchers, and rural residents.[16]

In theory, § 139L works to encourage competitive agricultural lending; however, this Comment will explain that it does not guarantee any benefit to rural and agricultural borrowers in application.[17] Partially exempting agricultural property loans without authorizing oversight into what lenders do with this exclusion limits or even nullifies its intended effect on borrowers.[18] The incentive to make rural land loans that § 139L provides to lenders who derive income from other industries does not necessarily effectuate the interests of rural and agricultural consumers without a safeguard to secure its effect.[19]

To address the gap between the congressional intent to decrease the cost of borrowing for rural Americans and the Act in its enacted form, this Comment will offer an amendment to provide for actions that would generate

10. Kathleen Kassel, *Defining Rural Areas: "Nonmetro" is Based on Counties*, USDA ECON. RSCH. SERV. (Feb. 29, 2024), https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/rural-economy [https://perma.cc/QC7V-47QR].

11. Manchin Durbin Reyes, Schatz Booker Shumway & Cory Scott Tong, *Impact of Access to Agricultural Credit on Agricultural Productivity in Iowa, USA*, 7 J. AGRIC. & ENV'T SCI. 1 (2023), https://doi.org/10.53819/81018102t5172 [https://perma.cc/P7MK-T5QE].

12. *Critical Infrastructure Sectors: Food and Agriculture Sector*, AMERICA'S CYBER DEF. AGENCY, https://www.cisa.gov/topics/critical-infrastructure-security-and-resilience/critical-infrastruc ture-sectors/food-and-agriculture-sector [https://perma.cc/79Z6-DYGX] (last visited Apr. 9, 2025).

13. *Id.*

14. 171 CONG. REC. H2235, H2335 (2025).

15. 26 U.S.C. § 139L.

16. *Id.*

17. *See infra* Part III (proposing to amend 26 U.S.C. § 139L to add oversight and enforcement on fulfilling its intent: reducing rates and costs for borrowers).

18. *See id.*

19. *See id.*

Congress's desired benefit to their customers and authorize supervision of qualified lenders.[20] By incorporating supervision and oversight into lender-driven programs to benefit rural and agricultural loan recipients, the Act will ensure market competition, promote a lower cost of borrowing, and support rural communities.[21] In regulating eligibility, the amendment also avoids unduly subsidizing financial institutions while supporting lenders that pass down excess income to their rural members.[22]

This Comment discusses § 139L and how it lacks the oversight and enforcement measures needed to make it effective. Part II provides a background on the relevant types of creditors, the tax implications related to those differences and to the United States banking system as a whole, and the factors leading to the development of the Act.[23] Part III analyzes the proposed amendment, raises legal and policy arguments in support of it, and addresses the main counterarguments.[24]

## II. Lenders and the Factors Leading to The Tax Exclusion

As of the 2022 year-end, farm debt totaled $496 billion, with $335 billion of that total secured by real estate.[25] The vast magnitude of farm debt secured by real estate provides financial institutions a vested interest in increasing their market share and the government an interest in regulating the agricultural credit market.[26] This Part will introduce the types of qualified lenders, provide context on the need for and issues related to passing § 139L, and explain the legislative history of the Act as it influenced the enacted form.

### A. Overview of "Qualified Lenders"

Before § 139L, a full tax exemption on rural and agricultural real estate loans applied only to entities established under the Farm Credit Act of 1971, originating from the need to provide long-term fixed-rate loans to farmers and ranchers.[27] Under 26 U.S.C. § 139L, a "qualified lender" now includes (1) federally insured banks or savings associations, (2) state or federally regulated insurance companies, and (3) entities owned by a bank holding company or (4) owned by an insurance holding company, in addition to

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20. *See infra* Section III.B.1 (explaining that Congress's intent is consistent with the proposed amendment).

21. *See infra* Section III.A (discussing an amendment to 26 U.S.C. § 139L to authorize agency supervision of intended pass-down benefit to agriculture and rural Americans).

22. *See infra* Section III.C (providing the policy basis for the amendment of the provision).

23. *See infra* Part II (discussing the background that led to the development of the Act).

24. *See infra* Part II (arguing that Congress should amend § 139L).

25. *2023 Annual Report*, *supra* note 8, at 20.

26. *Id.* at 15.

27. *See* 12 U.S.C. § 2098 (Taxation of Federal Land Bank Associations established by the Farm Credit Act of 1971 and later amended).

(5) farm credit banks.[28] This Section will discuss the main types of lenders eligible to receive the § 139L partial tax exclusion—farm credit associations, commercial banks, and insurance companies[29]—and explain their capabilities in relation to the types of loans contemplated under the Act.[30]

### *1. Farm Credit*

Rural areas, historically and today, experience reduced access to credit institutions and credit unions, higher denial rates on loans, and lower rates of loan originations.[31] Farm credit associations fill that void by covering a federally-chartered territory to ensure that rural areas and agricultural businesses maintain access to obtain both operational and long-term loans.[32] Congress established the Farm Credit System (FCS) as a permanent institution with a mission of supporting farmers, ranchers, and rural homeowners and businesses through good and bad economies.[33]

As federally chartered instrumentalities established by the Farm Credit Act of 1971,[34] banks in the FCS carry out their statutory mandate to provide "credit and closely related services" to farmers, ranchers, rural residents, and agricultural businesses.[35] A network-based study on agricultural markets revealed the important role of financial firms, and specifically the FCS, to successful, prominent agribusinesses by providing financing to some of the largest pork-producing companies.[36] The federal government also recognizes the need for ensuring availability of loans for agricultural purposes based on factors including: "the presence of asymmetric information among lenders . . . [and] between lenders and farmers, lack of competition in some rural lending markets, insufficient lending resources in rural areas compared to

28. 26 U.S.C. § 139L(b).

29. This Comment does not individually discuss entities owned by a bank or insurance holding company because the other types of qualified lenders under § 139L largely cover those entities, and that distinction does not materially impact the analysis.

30. 26 U.S.C. § 139L(b).

31. Sam Disman-Eager, *Rural Access to Credit in Vermont: An Examination of Rural Vermont's Access to Credit and Regulated Lenders in the Wake of a Consolidated Banking Industry and the Subprime Crisis*, UNIV. OF VT., 1, 2 (May 5, 2021).

32. 12 U.S.C. § 2021(a) ("The Farm Credit Banks shall, except as otherwise herein provided, make loans of the type authorized under [§] 2015(a) of this title through a Federal land bank association chartered to serve the territory in which the real estate of the borrower is located.").

33. *See* 12 U.S.C. § 2001 (objective to create "a permanent system of credit for agriculture which will be responsive to the credit needs of all types of agricultural producers"); *2023 Annual Report*, *supra* note 8, at 17.

34. Farm Credit Act of 1971, 12 U.S.C. §§ 2001–2279cc.

35. *Id.* § 2001.

36. Loka Ashwood et al., *From Big Ag to Big Finance: A Market Network Approach to Power in Agriculture*, 39 AGRIC. HUM. VALUES 1421–34 (2022), https://doi.org/10.1007/s10460-022-10332-3 [https://perma.cc/Z8RU-3SGF].

more populated areas, and the desire for targeted lending to disadvantaged groups (such as small farms or socially disadvantaged farmers)."[37]

Incidental to the FCS mandate to provide credit services only, and specifically for rural and agricultural purposes, Congress exempted from taxation farm credit institutions with long-term lending authority, formerly called Federal Land Bank Associations (FLBAs), "and the capital, reserves, and surplus thereof, and the income derived there from . . . from Federal, State, municipal, and local taxation."[38] While FLBAs no longer exist, 12 C.F.R. § 619.9155 defines a Federal Land Credit Association (FLCA) as "a Federal land bank association that has received a transfer of direct long-term real estate lending authority pursuant to [§] 7.6 of the Act."[39] In *County of Genesee v. Greenstone Farm Credit Services, ACA*, the court held that FLCAs, all former FLBAs and regulated by the same laws as FLBAs, did receive the § 2098 tax exemptions.[40]

Agricultural Credit Associations (ACAs) result from a merger of an FLCA and a Production Credit Association (PCA).[41] PCAs make short- and intermediate-term loans for producer operating expenses and equipment purchases.[42] The statutory and regulatory authorization for PCAs authorizes loans shorter than seven years, seven to ten years with permission from the funding bank, and less than fifteen years for loans on capital expenditures for "producers and harvesters of aquatic products."[43] The Agricultural Credit Act of 1987 authorized the mergers "subject to all of the obligations imposed" and with "all powers granted under this chapter to the associations forming the merged association," so ACAs receive the FLCA tax exemption for loans it makes in that capacity.[44]

### *2. Banks and Savings Associations*

26 U.S.C. § 139L also designates as qualified lenders "any bank or savings association the deposits of which are insured under the Federal Deposit Insurance Act (12 U.S.C. [§] 1811 et seq.)" and "any entity wholly owned, directly or indirectly, by a company that is treated as a bank holding company for purposes of [§] 8 of the International Banking Act of 1978 (12 U.S.C. [§] 3106)."[45]

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37. Jim Monke, *Agricultural Credit: Institutions and Issues*, CONGRESS.GOV (Mar. 26, 2018), https://www.congress.gov/crs-product/RS21977 [https://perma.cc/5DMW-BBDU]
38. 12 U.S.C. § 2098.
39. 12 C.F.R. § 619.9155 (2025).
40. 968 F. Supp. 2d 860, 866 (E.D. Mich. 2013).
41. *Id.* at 865.
42. *See infra* note 62 (explaining 12 U.S.C. § 2075 and 12 C.F.R. § 614.4040 on PCAs).
43. 12 C.F.R. § 614.4040 (2025).
44. *County of Genesee*, 968 F. Supp. 2d at 865–67.
45. 26 U.S.C. § 139L; *see supra* note 29.

Commercial banks account for 42% of total agricultural debt, slightly above the 41% held by the FCS.[46] Of this total, commercial banks exceed FCS in holding 49% of non-real estate farm production loans, whereas the FCS leads over commercial banks in real estate loans.[47] Until 1985, commercial banks assumed a low share of agricultural real estate loans, but since then, they have steadily increased their presence in that area to 31.9% at the end of 2022.[48] Because 60% of agricultural debt comes from real estate loans, commercial banks' total share of farm debt only slightly exceeds that of the FCS.[49]

### *3. Insurance Companies*

The statute additionally includes "any [s]tate- or federally-regulated insurance company" and "any entity wholly owned, directly or indirectly, by a company that is considered an insurance holding company under the laws of any [s]tate" as qualified lenders.[50] Of the remaining lenders of agricultural loans, life insurance companies hold 3.5% of the total market share, with that portion almost exclusively consisting of real estate loans.[51]

## *B. The Gross Income Exclusion on Loans Secured by Rural or Agricultural Real Estate*

### *1. Historical Concerns*

In the past, various types of lenders did not pass down the benefit of an increased bottom line from reduced taxes to their customers.[52] For example, a study on credit unions concluded that their tax benefits did not fully pass through to members and that credit unions tended to misuse a portion for other preferred expenses.[53] The report explained that outcome by noting the absence of a statutory or regulatory reason for use according to the justification for the subsidy—serving low- and moderate-income customers.[54] Researchers emphasize that legislators need to carefully weigh the outcomes of exempting firms from income taxation with empirical research.[55] Along with material loss of tax revenue and the introduction of

46. Monke, *supra* note 37.
47. *Id.*
48. *Id.*; *2023 Annual Report*, *supra* note 8, at 20.
49. Monke, *supra* note 37.
50. 26 U.S.C. § 139L(b)(2), (4).
51. Monke, *supra* note 37.
52. Madhav Regmi & Allen M. Featherstone, *Differential Taxation in Agricultural Credit Market*, 41 AGRIBUSINESS 792, 794 (2025).
53. *Id.*
54. *Id.*
55. *Id.*

new market distortions, evidence of past misuse of tax exemptions by credit unions existed, showing a failure to pass down the savings to borrowers.[56]

### *2. Current Societal and Economic Context*

The farm economy of today presents the worst conditions in generations, with the cost of inputs approximately $300 higher per acre since the COVID-19 pandemic, and market price per acre remaining the same or lower.[57] Farmers and ranchers must continue their annual business operations while also navigating record-high costs on inputs, such as fertilizer to grow crops.[58] This applies to ranchers as well, who need steel and aluminum products, such as fencing and feeders, in order to raise their livestock.[59] The elevated expenses and falling market prices for the livestock or crops they produce create unsustainable conditions for farmers and ranchers.[60]

Not only did the prices of the equipment and other supplies rise in themselves, but interest rates on loans rose as well, adding to financial stress in difficult years.[61] Those loans generally consist of either (1) lines of credit, or operating loans, allowing farmers to cover their annual production expenses until they can sell their crops or livestock and pay back the loans from the proceeds, or (2) intermediate or long-term loans on equipment, vehicles, or real property.[62] Because of the typically seasonal nature of agricultural income, farm credit loans provide liquidity to producers throughout the year.[63] Additionally, farming and ranching yields and revenues vary each year due to weather, market prices, or other factors, so agricultural lenders help their customers even if they encounter a hard year.[64] With interest rates on loans rising, agricultural producers decreased their

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56. *Id.*
57. TEX. FARM CREDIT, *supra* note 3.
58. *Id.*
59. Johnson, Ward & Wicks, *supra* note 7.
60. Allie Herring, *Farm Bankruptcies on The Rise as Pressure on Ag Economy Builds*, AGRI-PULSE (Aug. 6, 2025, at 06:05 CST), https://www.agri-pulse.com/articles/23312-farm-bankruptcies-on-the-rise-as-pressure-on-ag-economy-builds [https://perma.cc/YR8U-9DSG]; Kim Chipman and Philip Brasher, *Fertilizer Woes Cloud New Crop Outlook as Farmers Mull Cutbacks*, AGRI-PULSE (Sep. 24, 2025, at 06:08 CST), https://www.agri-pulse.com/articles/23496-fertilizer-woes-cloud-new-crop-outlook-as-farmers-mull-cutbacks [https://perma.cc/MZL7-PTNS].
61. TEX. FARM CREDIT, *supra* note 3.
62. *See* 12 U.S.C. § 2075 (a)(1)–(3) (authorizing PCAs to make "short- and intermediate-term loans" to "(1) bona fide farmers and ranchers . . . (2) rural residents for housing . . . and (3) persons furnishing to farmers and ranchers farm-related services . . ."); 12 C.F.R. § 614.4030 (2025) (authorizing Federal Land Credit Associations to make long-term real estate mortgage loans).
63. *See 2023 Annual Report*, *supra* note 8, at 26 (noting a "greater seasonal use of operating lines of credit as the cost of production escalated").
64. *See id.* at 14–15.

purchases of property or equipment while showing increased difficulty in making payments on their existing loans.[65]

Additionally, volatile trade tensions with the United States's top export and import countries—such as China, Canada, and Russia—contribute to the supply cost and commodity price problems.[66] International disputes and tariffs caused many farmers and ranchers to entirely lose the usual buyers of their commodities or to receive a drastically lower cash price for them.[67] This, in turn, forces producers to seek new markets, rely on limited government assistance, or, in extreme cases, declare bankruptcy or abandon their long-standing agricultural business.[68]

Rural homeowners face financial and economic difficulties similar to those of agricultural producers and businesses.[69] These persisting obstacles include higher poverty rates, lower educational attainment levels, and less access to credit to invest in property or pursue other opportunities available to residents of metropolitan areas.[70] As a result of those issues, concerns increase for the risk of asymmetric information or the unavailability of lending directed to small farmers.[71]

#### *3. Proposed Access to Credit for our Rural Economy Act (ACRE)*

The Access to Credit for our Rural Economy Act (ACRE) sought to exempt banks from federal taxes on all interest income from loans tied to rural or agricultural real estate.[72] Championed by financial institutions, groups such as the American Banking Association (ABA) advocated for ACRE's passage on the basis of anticipated benefits to rural and agricultural customers with loans. For example, the ABA President asserted that ACRE's passage would result in a drop in loan rates by 100 basis points and provide relief to 30 million Americans.[73]

The 2023 version of ACRE contained a limited definition of qualified lenders, only extending the income exclusion for banks, savings associations,

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65. Kim Chipman, *U.S. Farm Economy Woes Draw Comparisons to 1980s Crisis*, AGRI-PULSE (Oct. 29, 2025, at 06:05 AM), https://www.agri-pulse.com/articles/23677-us-farm-economy-woes-draw-comparisons-to-1980s-crisis [https://perma.cc/PWJ6-BYJL] (citing Ernie Goss & Kristen Crawford, *Rural Mainstreet Economy Falls to Five-Year Low*, CREIGHTON UNIV. (Oct. 16, 2025), https://www.creighton.edu/sites/default/files/October-Rural-Mainstreet-2025.pdf [https://perma.cc/XV8A-RRRN]).

66. *See id.*

67. Oliver Ward, *Market Access Update: Ag Export Provisions in Trump's Trade Pacts So Far*, AGRI-PULSE (Oct. 15, 2025, at 06:01 CST), https://www.agri-pulse.com/articles/23600-market-access-update-ag-export-provisions-in-trumps-trade-pacts-so-far [https://perma.cc/9FL6-GFMA].

68. Herring, *supra* note 60.

69. Kassel, *supra* note 10.

70. *Id.*

71. Monke, *supra* note 37.

72. Rob Nichols, *Opinion: Rural Communities Are Struggling. Congress Can Help.* AGRI-PULSE (May 5, 2025, at 11:40 CST), https://www.agri-pulse.com/articles/22851-opinion-rural-communities-are-struggling-congress-can-help [https://perma.cc/YX6A-WS75].

73. *Id.*

and bank holding companies.[74] The bill defined "qualified real estate loan" as "(A) secured by rural or agricultural real estate or by a leasehold mortgage (with a status as a lien) on rural or agricultural real estate," and for loans on single family residences, it limited use of the proceeds to purchase or improvement of the residence and limited the loan principal to $750,000.[75] The bill defined "rural or agricultural real estate" as (A) real property used substantially for agricultural production, "(B) any single family residence" that (i) qualifies as the occupant's principal residence and is "(ii) [] located in a rural area within the meaning of [§] 1.11(b)(3) of the Agricultural Credit Act of 1987."[76]

On March 4, 2025, the 2025 ACRE bill received its introduction.[77] After its formal reading, the House of Representatives referred the bill to the Ways and Means Committee, and the Senate referred the bill to the Finance Committee.[78] The 2025 ACRE bill expanded the meaning of qualified lender to also include insurance companies, insurance holding companies, and federally chartered farm credit instrumentalities.[79] The qualified loan definition varied by including loans secured by forestland and by excluding loans made to "a foreign adversary entity."[80]

Furthermore, the 2025 bill mandated reporting on the impact of the provision within five years of enactment.[81] The inclusion of this portion reflected the drafters' intent to make sure that the tax exclusion generated a specific impact and to revisit the Act if it did not cause a demonstrable positive effect.[82] The reporting subsection required that:

> Not later than [five] years after the date of the enactment of this Act, the Secretary of the Treasury (or the Secretary's delegate) shall submit a written report to the Committee on Ways and Means of House of Representatives and the Committee on Finance of the Senate analyzing the impact of [§] 139[L] of the Internal Revenue Code of 1986 (as added by subsection (a)) on qualified real estate loans (as defined in such section), including whether such section has resulted in a reduction in the rate of interest on such loans.[83]

Despite the efforts of the ABA and others, ACRE did not ever move past the bill introduction stage in either house of Congress as a stand-alone

74. H.R. 3139, 118th Cong. (2023); S. 2371, 118th Cong. (2023).
75. *See id.*
76. *See id.*
77. H.R. 1822, 119th Cong. (2025); S. 838, 119th Cong. (2025).
78. *See id.*
79. *See id.*
80. *See id.*
81. H.R. 1822 § 2(c); S. 838 § 2(c).
82. *See id.*
83. *See id.*

bill.[84] Instead, the Beautiful Bill passed on July 4, 2025, a mere three months after ACRE's introduction, and included a provision that enacted a partial gross interest income exclusion for financial institutions.[85]

#### *4. 26 U.S.C. § 139L*

This Comment assesses § 139L, which passed through both houses of Congress via a massive reconciliation bill, the Beautiful Bill.[86] Constituting only 1.5 pages of a 331-page piece of legislation, this provision received minimal discussion and consideration.[87] In fact, merely one sentence in the midst of sixty-two entries on the congressional record made an indirect reference to the provision and its intended purpose.[88] Specifically, Chairman Thompson of Pennsylvania remarked that, "[i]t lowers the cost of borrowing for our farmers hit by Biden's sky-high interest rates," a general statement about the Beautiful Bill that did not even name the § 139L provision.[89]

The enacted provision shared similar language to the 2025 ACRE bill with a few distinctions.[90] Subsection (a) of § 139L contained the most material change from ACRE.[91] Instead of the full exclusion proposed in either ACRE bill, the Act exempted 25% of gross income from "interest received by a qualified lender on any qualified real estate loan."[92] Accordingly, this subsection authorized the interest income exclusion, enabling any qualified financial institution from subsection (b) to receive it so long as the loan fit the type specified in subsection (c).[93] The Act granted the exclusion without requiring any action of lenders to remain qualified or mandating reporting on the impact on the cost of borrowing.[94] Specifically, subsection (a) and the remaining subsections of the Act lack any statement of purpose, impact study mandate, sunset provision, or regulatory authorization for agencies to regulate the lender's beneficial use of the tax exclusion, not just its interpretation and application.[95]

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84. *See* H.R. 3139, 118th Cong. (2023); H.R. 1822; S. 2371, 118th Cong. (2023); S. 838.
85. One Big Beautiful Bill Act, Pub. L. No. 119-21, § 70435, 139 Stat. 72 (2025).
86. *See id.*
87. *See id.*
88. 171 CONG. REC. H2335 (2025).
89. *See id.*
90. *Compare* H.R. 3139, 118th Cong. (2023); H.R. 1822, 119th Cong. (2025) (laying out the ACRE bill) *with* 26 U.S.C. § 139L (showcasing the differences between the enacted provision and the 2025 ACRE bill).
91. *Compare* H.R. 3139; H.R. 1822 (discussing the exclusion in § 2) *with* 26 U.S.C. § 139L(a) (identifying the greatest change in the enacted provision in comparison to the 2025 ACRE bill).
92. 26 U.S.C. § 139L(a).
93. *See id.*
94. *See id.*
95. *See id.*; *see also* I.R.S. Notice 2025-71, 2025-50 I.R.B. 779 (interim guidance regarding interest on loans secured by rural or agricultural real property under § 139L of the Internal Revenue Code).

The remaining subsections define and expand on the parameters of the tax exclusion outlined in Subsection (a) of the Act.[96] Subsection (b) defines five categories of "qualified lender," including (1) Federal Deposit Insurance Corporation (FDIC)-insured banks or savings associations, (2) "State- or federally-regulated insurance company[ies]," (3) "entit[ies] wholly owned, directly or indirectly," by a bank holding company, (4) "entit[ies] wholly owned, directly or indirectly," by an insurance holding company, or (5) any federally chartered instrumentality established by the Farm Credit Act of 1971.[97]

Subsection (c) set the meaning of "qualified real estate loan" as any loan secured by "(i) rural or agricultural real estate, or (ii) a leasehold mortgage (with a status as a lien) on rural or agricultural real estate," the determination of which must occur "as of the time the interest income on such loan is accrued."[98] In contrast to ACRE, § 139L did not discuss or place limitations on loans relating to a "single-family residence."[99] The Act also replaced ACRE's disqualification of loans made to a listed "foreign adversary entity" with ineligibility for "specified foreign entit[ies]" under [§] 7701(a)(51).[100] Subsection (c) also disqualified loans made before the date of enactment, and subsection (c)(2) provided that refinancings of loans made on or before the date of enactment do not qualify as excludable income under the Act.[101] Subsection (c)(3) designated "rural or agricultural real estate" as property located in or possessed by the United States and:

> (A) [A]ny real property which is substantially used for the production of one or more agricultural products, (B) any real property which is substantially used in the trade or business of fishing or seafood processing, and (C) any aquaculture facility.[102]

The enactment did not address forestland, nor did it define "rural area" as ACRE specified or include a definition of "rural" to clarify the meaning of "rural or agricultural real estate."[103] Subsection (c)(4) adopted the ACRE definition of "aquaculture facility" as "any land, structure, or other appurtenance that is used for aquaculture (including any hatchery, rearing pond, raceway, pen, or incubator)."[104] Subsection (d) coordinated the Act

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96. *See* 26 U.S.C. § 139L.
97. *Id.* § 139L(b).
98. *Id.* § 139L(c).
99. *Compare* H.R. 3139, 118th Cong. (2023); H.R. 1822, 119th Cong. (2025) (discussing single family residences) *with* 26 U.S.C. § 139L (showing § 139L does not limit loans for single-family residences).
100. *Compare* H.R. 3139; H.R. 1822 (disqualifying loans to entities of foreign adversaries) *with* 26 U.S.C. § 139L (noting the change in foreign entity qualification).
101. § 139L(c).
102. *Id.*
103. *See id.*
104. *Id.* § 139L(c)(4).

with § 265 of the Internal Revenue Code by designating the qualified real estate loan as an "obligation the interest on which is wholly exempt from the taxes imposed by this subtitle" and amending its application to the 25% specified in § 139L.[105]

The Act also did not include a "Report to Congress" clause, as did the 2025 ACRE bill.[106] Removal of an obligation to inform each chamber's committees of the Act's effectiveness would not serve Congress's interest in passing necessary legislation, so the omission likely resulted from an attempt to quickly remove any unfeasibility of that clause from ACRE's language.[107] It may have proved difficult, if possible, for lenders to report how much they reduced rates on each loan due to the § 139L enactment.[108]

On November 20, 2025, the Internal Revenue Service (IRS) issued temporary guidance on the application of § 139L and requested comments for proposed regulations.[109] The guidance preliminarily clarified § 139L's meaning and scope by defining multiple terms and including a test for "[d]etermining whether a loan is secured by qualified rural or agricultural property."[110] In application, farm credit institutions do not receive any benefit from § 139L on FLCA loans because of their tax-exempt status.[111] On PCA loans, farm credit companies hold eligibility for the 25% interest income exclusion if the loan is secured by rural or agricultural real estate and was borrowed after the enactment date.[112]

## III. Congress Should Amend 26 U.S.C. § 139L to Add Oversight and Enforcement on Fulfilling Its Intent: Reducing Rates and Costs for Borrowers

26 U.S.C. § 139L provided a compromise between the policy goals of commercial banks and farm credit banks; however, merely extending the tax exclusion for rural property loans to lenders beyond the FCS does not effectively guarantee "dependable and affordable" agricultural lending.[113] Therefore, Congress should amend § 139L to add oversight on the lenders receiving this exclusion.[114] By incorporating standards to maintain eligibility

105. *Id.* § 139L(d) (incorporating by reference 26 U.S.C. § 265).
106. *Compare* H.R. 1822, 119th Cong. (2025) (including a "report to Congress" provision) *with* 26 U.S.C. § 139L (noting that there's not a "Report to Congress" provision in the new bill).
107. *See id.*
108. *See id.*
109. I.R.S. Notice 2025-71, 2025-50 I.R.B. 779 (interim guidance regarding interest on loans secured by rural or agricultural real property under § 139L of the Internal Revenue Code).
110. *Id.*
111. Telephone Interview with Lori V. Graham, Chief Legal Officer, Tex. Farm Credit (Dec. 12, 2025).
112. *Id.*
113. *See* Ashwood et al., *supra* note 36.
114. *See infra* Section III.A (arguing for an amendment to § 139L to better guarantee dependable and affordable agricultural lending).

or by delegating authority to do so, Congress can carry out its intent to lower borrower costs and interest rates on loans to rural Americans with certainty.[115]

### *A. Amending 26 U.S.C. § 139L to Authorize Agency Supervision of Intended Pass-Down Benefit to Agriculture and Rural Americans*

Because 26 U.S.C. § 139L passed as a minor component of the Beautiful Bill,[116] the provision should receive further consideration in the form of the following amendment to increase the likelihood of effectuating its intended purpose.[117] This new partial tax exclusion, without a regulatory clause to ensure follow-through by the qualified lenders, possesses no assurance of the proper use of the tax exclusion and instead allows financial institutions to allocate the extra income in any way they choose.[118] The failure to address this omission would prove particularly severe in economic downturns, when rural and agricultural customers most need affordable loans, and the Act places no lenders under any obligation to aid them.[119] To justify Congress's extension of a partial tax exclusion to lenders outside of the FCS, those institutions should show alignment with the FCS's member-driven mission to support and advance the interests of their rural and agricultural customers.[120] The addition of a measure to require action by and supervision of lenders would ensure that financial institutions comply with the Act's intent of lowering the cost of borrowing for agricultural producers.

Congress should add the following amendment to 26 U.S.C. § 139L:

> (e) (SAVINGS AND AID TO BORROWERS.—Under policies of each qualified lender's board, lenders shall prepare a program for furnishing sound and constructive credit and related services to borrowers of qualified real estate loans. Such programs shall assure that such credit and services are affordable, accessible, and supportive of their respective borrowers' communities, in coordination with other governmental and private sources of credit. Each program shall be subject to review and approval by the lender's supervising authority.

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115. *See infra* Section III.A, C.1 (explaining why such changes would further Congress's intent).
116. One Big Beautiful Bill Act, Pub. L. No. 119-21, § 70435, 139 Stat. 72 (2025).
117. *See id.*
118. *See* 26 U.S.C. § 139L.
119. *See* Chipman, *supra* note 65.
120. *See* 12 U.S.C. § 2001(a) ("that the farmer-owned cooperative Farm Credit System be designed to accomplish the objective of improving the income and well-being of American farmers and ranchers by furnishing sound, adequate, and constructive credit and closely related services to them, their cooperatives, and to selected farm-related businesses necessary for efficient farm operations").

> 1. Supervising authorities.—The Federal Deposit Insurance Corporation (FDIC) shall oversee lenders under § 139L(b)(1). The Federal Insurance Office (FIO), in conjunction with the States, shall monitor lenders under § 139L(b)(2) and (b)(4). The Board of Governors of the Federal Reserve System shall oversee entities under § 139L(b)(3). The Farm Credit Administration (FCA) shall supervise institutions under § 139L(b)(5). These agencies shall meet periodically as necessary to ensure consistency and fairness in regulation of the programs and evaluation of the lender reports.
>
> (f) REPORTING.—The supervising authorities under subsection (e)(1) shall annually obtain from lenders under their supervision reports of activities under programs developed pursuant to subsection (e) and progress toward program objectives. On the basis of such reports, the supervising authorities shall provide a written report to the Secretary of the Treasury summarizing the operations and achievements under such programs and notating lenders with unsatisfactory programs. Not later than five years after the date of the enactment of this Act, the Secretary (or the Secretary's delegate) shall submit a written report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate analyzing the impact of § 139L of the Internal Revenue Code of 1986 (as added by subsection (a)) on qualified real estate loans (as defined in such section).
>
> (g) ENFORCEMENT AND REINSTATEMENT.—The Secretary shall issue such regulations and guidance as may be necessary to carry out the provisions of this section, including authority to suspend for a period or disqualify lenders who fail to comply with this statute. Agencies may reinstate a lender's eligibility under this section after deeming it in compliance with the requirements of subsections (e) and (f).

The amendment's framework adds the necessary oversight left out of the Act.[121] Modeled after the Young, Beginning, and Small Farmers and Ranchers (YBS) program statute, the amendment requires lenders to initiate programs to convey savings and benefits to borrowers of qualified real estate loans.[122] The programs could develop in the form of dividends to borrowers, lower interest rates on loans, a provision of services, trainings, or outreach programs for rural or agricultural customers, or some combination of the

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121. *See* 12 U.S.C. § 2207.

122. *Id*. (requiring lenders to create a program for providing credit and services specifically to YBS individuals, authorizing review and approval of the programs by the regulating agency, and mandating reporting on the activities and achievement of the programs).

above.[123] The amendment also mandates reporting on those programs and their impact and authorizes agency oversight.[124] Each entity's report should relate the content, location, and frequency of activities that it completed during the period related to its agricultural or rural clients.[125]

Based on authorization from the amendment, agencies can then use discretion to issue regulations pertaining to details of and guidelines for the programs, including program components, reporting procedures, and evaluation metrics.[126] For example, 12 C.F.R. § 614.4165 provides the regulations that stemmed from the YBS statute.[127] The regulations expand on the amendment's goals, specify written policies that entities must adopt and incorporate into their strategic plan, detail review protocols for the supervising agency, and set forth the minimum program elements, consisting of qualitative and quantitative factors with examples or options for each.[128]

The amendment also includes some language from the "Report to Congress" provision in the 2025 ACRE bill.[129] Congress holds an important role in passing laws to achieve the nation's policy aims, which includes staying apprised of the outcomes of legislation and enacting change as necessary.[130] The provision likely did not appear in the Beautiful Bill because of potential impracticability. Determining "whether such [§ 139L] has resulted in a reduction in the rate of interest on such loans" would be difficult to report with accuracy due to the inability to know the interest rates that the financial institutions would have offered on qualified loans without the Act.[131] Leaving that clause out of the amendment's reporting provision enables regulators to feasibly enforce the provision.[132]

Beyond the report to Congress as proposed in ACRE, the amendment also requires reporting from the lenders to their supervising agencies and from the agencies to the Secretary of the Treasury.[133] The amendment provides that the Treasury Secretary cannot only create a consolidated report for Congress from all of the types of qualified lenders, but also inform the Secretary to enable them to carry out their role in carrying out the Act.[134] The Secretary of the Treasury enforces § 139L through the Internal Revenue

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123. *See id.*
124. *See supra* Section III.A (implementing a reporting requirement).
125. *See* 12 C.F.R. § 614.4165 (2025).
126. *See id.*
127. *Id.*
128. *See id.*
129. *See* H.R. 1822, 119th Cong. (2025); S. 838, 119th Cong. (2025).
130. *See* TODD GARVEY, MARK OLESZEK & BEN WILHELM., CONG. RSCH. SERV., IF10015, CONGRESSIONAL OVERSIGHT AND INVESTIGATIONS (2024).
131. *See* H.R. 1822; S. 838.
132. *See supra* notes 117–23 and accompanying text (stating the proposed reporting requirement).
133. *See supra* notes 117–23 and accompanying text (presenting the proposed reporting requirement).
134. *See The Agency, Its Mission and Statutory Authority*, IRS, https://www.irs.gov/about-irs/the-agency-its-mission-and-statutory-authority [https://perma.cc/2NKG-QD3F] (last visited Apr. 9, 2026).

Service by exercising its authority derived from Congress's delegation of its constitutional power to tax.[135]

Enforcement forms an important part of the amendment because, without it, qualified lenders possess no requirement to implement the aims of the Act, which formed their basis to lobby for the tax exclusion.[136] If qualified lenders pass down the exclusion's benefit to rural and agricultural borrowers through lower interest rates or other cost-saving services and report that pursuant to subsection (f), the IRS will never need to apply the enforcement provision.[137] The enforcement provision's mere existence, however, makes sure that borrowers benefit from the Act as Congress intended and does not leave the Act's objectives solely to the charitable inclinations of financial institution executives.[138]

### *B. Legal Principles Relating to Agricultural Credit*

Statutes aimed at lowering costs for farmers and incentivizing agricultural production align with the already existing broad body of legislation related to agricultural taxation, banking, financial assistance, regulation, and government programs and incentives.[139] Congress implemented the Act with a clear intent to decrease interest rates and support rural Americans through this tax exclusion.[140] Foundational tax principles in relation to agriculture further align with congressional intent, as illustrated by tax legislation related to agriculture.[141] § 139L possesses the ability to carry out Congress's intent by equipping qualified lenders with additional financial capacity to lower interest rates for borrowers on rural or agricultural loans secured by real estate.[142]

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135. *See id.*

136. Nichols, *supra* note 72.

137. S*ee supra* notes 117–23 and accompanying text (explaining the proposed reporting requirement).

138. *See* 26 U.S.C § 501 (defining tax-exempt organizations, placing limitations upon attaining and retaining that status, and authorizing regulatory authority); § 504 (granting regulatory authority to prevent avoidance); § 506 (delegating authority for the Secretary to make a determination on whether an organization may receive the exemption).

139. *See infra* Sections III.B.1–2 (illustrating Congress's intent to increase lending capacity and lowering borrowing costs).

140. *See Makes Rural America Great Again*, U.S. HOUSE COMM. ON WAYS AND MEANS, https://waysandmeans.house.gov/theonebigbeautifulbill/fact-sheets/makes-rural-america-great-again/ [https://perma.cc/97UJ-PVJT] (last visited Apr. 9, 2026).

141. *See infra* Section III.B.2 (demonstrating Congress's use of tax incentives to support agriculture and rural credit).

142. *See* 26 U.S.C. § 139L.

### *1. Congressional Intent*

Congress's intent from its legislation on agricultural credit, as well as on other areas of agriculture, supports the adoption of the amendment to § 139L.[143] The framework and objectives for (a) the Farm Credit System, (b) Chapter 12 bankruptcies, (c) Farm Service Agency lending, and (d) Farmer Mac secondary market activities offer relevant examples of Congress's clear intent to strongly and effectively regulate agriculture and rural lending so as to lower costs and otherwise benefit rural Americans and agricultural producers.[144]

In a "Congressional declaration of policy and objectives," the legislature declared agriculture "essential" and accordingly addressed "the growing need for credit in rural areas" to improve "the income and well-being of American farmers and ranchers."[145] In particular, the declaration stated:

> It is declared to be the policy of the Congress, recognizing that a prosperous, productive agriculture is essential to a free nation and recognizing the growing need for credit in rural areas, that the farmer-owned cooperative Farm Credit System be designed to accomplish the objective of improving the income and well-being of American farmers and ranchers by furnishing sound, adequate, and constructive credit and closely related services to them, their cooperatives, and to selected farm-related businesses necessary for efficient farm operations.[146]

Those objectives led Congress to create the FCS, and those same policies led Congress to deem an additional step necessary: granting the § 139L tax exclusion for financial institutions beyond the FCS.[147] The House Ways and Means Committee reported that the Beautiful Bill "[l]owers the cost of borrowing for America's farmers" by "reduc[ing] the tax burden on interest income for loans secured by real property for agricultural production."[148] The Committee Chairman affirmed this belief by claiming that "[b]y reducing taxes on interest income from farmland loans, it lowers the cost of borrowing for producers, especially young and new farmers looking to get started."[149] These statements show the firm intent to "strengthen family farms [and] rebuild rural economies" through tax

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143. *See infra* Section III.B.2 (illustrating federal and state tax policies).

144. *See supra* notes 138–42 and text (illustrating legislative intent to regulate and support agricultural lending).

145. 12 U.S.C. § 2001(a).

146. *Id.*

147. *See id.*; *Makes Rural America Great Again*, *supra* note 140.

148. *Makes Rural America Great Again*, *supra* note 140.

149. Jason Smith, *Chair Smith Op-Ed: Restoring U.S. Agricultural Leadership Through Tax Reform*, U.S. HOUSE COMM. ON WAYS AND MEANS (Aug. 19, 2025), https://waysandmeans.house.gov/2025/08/19/chair-smith-op-ed-restoring-u-s-agricultural-leadership-through-tax-reform/ [https://perma.cc/R226-N28W].

reform.[150] Unfortunately, the reduction in tax burden from § 139L does not guarantee that banks not bound by the mandate of the Farm Credit System will actually lower the cost of borrowing.[151] The amendment's supervision and enforcement measures, therefore, provide the missing assurance that all qualified lenders will carry out the goal of § 139L.[152]

Another prominent example of agricultural treatment in banking surfaced with the creation of Chapter 12 Bankruptcy.[153] Congress added a separate bankruptcy chapter for individuals with an occupation in agriculture and for family-owned agricultural businesses to alleviate financial distress and repay their debts.[154] "[C]hapter 12 eliminates many of the barriers such debtors would face if seeking to reorganize under either chapter 11 or 13 of the Bankruptcy Code" in an effort "to meet the economic realities of family farming and the family fisherman."[155] By authorizing a three to five year repayment plan, accommodating seasonal income, and generally providing a more streamlined and less costly process, Chapter 12 serves the particular needs of farmers and ranchers to allow them to regain solvency and keep farming.[156]

The design of a separate bankruptcy chapter for "family farmers" and "family fishermen" but not for any other occupation or industry parallels the banking title's farm credit chapter and its distinct policy goals.[157] For example, the farm credit chapter expressed an objective to:

> continue to encourage . . . a permanent system of credit for agriculture which will be responsive to the credit needs of all types of agricultural producers having a basis for credit, and to modernize and improve the authorizations and means for furnishing such credit and credit for housing in rural areas.[158]

The unique depth and scope of codified agricultural law supports amending the Act to explicitly authorize oversight on carrying out Congress's rural and agricultural objectives.[159] Moreover, the Chapter 12 effort to lower

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150. *Id.*

151. *See* 26 U.S.C. § 139L (containing no reference to reducing the cost of borrowing); *supra* Section II.A.1 (discussing the FCS mandate).

152. *See supra* Section III.A (proposing an amendment to § 139L).

153. *Chapter 12 - Bankruptcy Basics*, U.S. CTS., https://www.uscourts.gov/court-programs/bankruptcy/bankruptcy-basics/chapter-12-bankruptcy-basics [https://perma.cc/P73L-R4MD] (last visited Apr. 9, 2026).

154. *Id.*

155. *Id.*

156. Herring, *supra* note 60.

157. *Compare* 12 U.S.C. § 2001 (creating a banking chapter with the "objective of improving the income and well-being of American farmers and ranchers") *with* 11 U.S.C. §§ 101–1527 (creating only a separate chapter for liquidation, municipalities, reorganization, family farmers and fishermen, and individuals with regular income).

158. 12 U.S.C. § 2001.

159. *See* 12 U.S.C. §§ 2001–2279; 11 U.S.C. §§ 101–1527.

costs and make an efficient and effective process aligns with the tax exclusion's design and intended outcome.[160] Just as Chapter 12 provides for the use of the courts and bankruptcy trustees to oversee the carrying out of bankruptcy plans, § 139L needs an oversight mechanism to ensure that each qualified lender directs efforts toward positively impacting their customers with rural and agricultural loans.[161] The savings and aid, reporting, and enforcement components of the amendment advance the farm credit objective to "modernize and improve the authorizations and means for furnishing such credit."[162] The amendment satisfies those aims by requiring financial institutions to use their resources, expanded by the § 139L tax exclusion, to serve more than just their bottom line, but also the customers to whom they made qualified real estate loans to.[163]

The Farm Service Agency (FSA) within the United States Department of Agriculture (USDA) supplies an additional instance of congressional investment into agricultural credit.[164] As the "lender of last resort" for farmers, the FSA must abide by statutory limitations to make loans only to agricultural producers ineligible for credit from other financial institutions.[165] Also, the FSA guarantees repayment on loans made by other credit lenders.[166] Unlike Farm Credit System associations or commercial banks, the FSA receives its funding through annual congressional discretionary appropriations.[167] In handling approximately 2.6% of direct loans and guaranteeing 4%–5% of loans, the FSA accounts for a small share of the total farm debt.[168] The government entity does make a material impact, however, by reserving funds for certain "disadvantaged" farmers with an inability to attain a loan elsewhere to get a start in agriculture through a direct loan.[169]

The FSA's structure and purpose exemplify the oversight in agricultural lending that § 139L currently lacks.[170] Congress annually assesses FSA funding to decide the amount "necessary to enable the Secretary [of Agriculture] to carry out the purposes of this chapter [Chapter 50: Agricultural Credit]" which entails an inquiry into the entity's operations and effectiveness.[171] In terms of legislation, Congress also passed congressional findings that "the statutory authority of the Secretary of Agriculture, hereinafter referred to in this chapter as the 'Secretary,' for making and

160. 26 U.S.C. § 139L; *Chapter 12 - Bankruptcy Basics*, *supra* note 154; Smith, *supra* note 149.

161. *See* 11 U.S.C. §§ 1201–32 ("Adjustment of Debts of a Family Farmer or Fisherman with Regular Annual Income"); *supra* Section III.A (demonstrating the potential for change in § 139L).

162. *See supra* Section III.A (changing the farm credit objective); 12 U.S.C. § 2001.

163. *See supra* Section III.A (amending § 139L to secure savings and aid for borrowers).

164. Monke, *supra* note 37.

165. *See* 7 U.S.C. § 1922 (Persons eligible for real estate loans).

166. Monke, *supra* note 37.

167. *Id.*

168. *Id.*

169. *See* 7 U.S.C. § 1923 (Purposes of loans).

170. *See id.* § 1922.

171. *See id.* § 1988 (Appropriations).

insuring loans to farmers and ranchers should be revised and consolidated to provide for more effective credit services to farmers."[172]

By specifically emphasizing the need for revision of authority to maximize the effectiveness of agricultural credit services, the express intent of Congress in this area matches the goal of the amendment.[173]

The Federal Agricultural Mortgage Corporation, or Farmer Mac, occupies the role as the secondary market for agricultural loans.[174] Farmer Mac works as the agricultural counterpart to Freddie Mac or Fannie Mae in the banking sector, so it buys mortgages from lenders, combines them into mortgage-backed securities, and sells those securities to investors.[175] The FCA oversees and regulates Farmer Mac in addition to banks and associations within the Farm Credit System, though Farmer Mac operates as a completely separate entity.[176] In its supervisory role, the FCA ensures that Farmer Mac follows through on its mission "to provide vital liquidity for American agriculture and rural infrastructure."[177] The Farmer Mac mission includes allowing lenders to offer competitive interest rates while also managing risk.[178]

When authorizing the FCA to regulate Farmer Mac, Congress provided explicit direction for the FCA to consider "the purposes for which the Corporation [Farmer Mac] was created."[179] That language not only emphasizes the importance that Congress placed on the Farmer Mac mission but also provides an example of authorizing supervision of a law to specifically see that the purpose is achieved.[180] The amendment that this Comment proposes to § 139L mirrors the approach taken in establishing Farmer Mac by incorporating Congress's intent for the income exclusion into the authorization of it.[181]

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172. *Id*. § 1921 (Congressional findings).

173. *Id.*; *supra* Section III.A (amending § 139L to guarantee efforts to provide savings and aid to borrowers).

174. Monke, *supra* note 37.

175. *Id.*

176. *Farmer Mac Regulations*, FARM CREDIT ADMIN. (Sep. 22, 2023), https://www.fca.gov/farmer-mac-oversight/farmer-mac-oversight - :~:text=Through%20the%20Office%20of%20Secondary%20 Market%20Oversight%2C%20the,the%20Federal%20Agricultural%20Mortgage%20Corporation%20or %20Farmer%20Mac [https://perma.cc/WLE7-MNUP].

177. *2025 Q3 Corporate Fact Sheet*, FARMER MAC, https://www.farmermac.com/wp-content/uploads/Farmer-Mac-Corporate-Fact-Sheet.pdf [https://perma.cc/98TZ-ZPL9] (last visited Apr. 9, 2026).

178. *Id.*

179. 12 U.S.C. § 2279aa-11(a)(2).

180. *See id.* § 2279aa-11.

181. *See id.*; *supra* Section III.A (explaining the proposed amendment and its implications).

### *2. Tax Principles*

In passing tax legislation, Congress has repeatedly promoted individuals and businesses related to agriculture with exclusions and other incentives.[182] This Section will analyze prominent examples of that policy, including (a) the interest income tax exemption granted to institutions in the Farm Credit System on long-term loans, (b) federal and state tax exclusions for agriculture, and (c) the federal Office of Tax Analysis.[183]

A primary example of the tax treatment of agricultural lenders rests in the interest income tax exclusion granted to farm credit institutions on long-term real estate loans.[184] Congress enabled the farm credit mission "to be responsive to the needs of all types of agricultural producers" by easing their tax burden on FLCA loans (those with long-term amortization schedules), which enable agricultural producers to purchase homes, infrastructure, and other high-value long-term assets.[185]

Federal and state tax incentives for agricultural producers provide further prominent examples of tax treatment in relation to agriculture.[186] Each state varies in its legislation in this area; however, multiple states reduced property taxes for land used in agricultural production and provided a sales tax exemption for purchases made to supply farm or ranch operations.[187] For example, Michigan's General Property Tax Act provides a "Qualified Agricultural Exemption" for parcels of land used primarily for agricultural purposes and not for residential, industrial, or tourism uses.[188] Additionally, Ohio exempts "tangible personal property used or consumed in farming, agriculture, horticulture or floriculture" from "sales or use tax."[189] That provision includes traditional supplies, such as feed and tools, as well as other equipment like vehicles and building supplies for livestock structures.[190]

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182. *See infra* notes 184–95 and accompanying text (detailing agriculture incentives and exclusions in tax legislation).

183. *See infra* notes 185–204 and accompanying text (analyzing Farm Credit System tax exemptions, federal and state agricultural exclusions, and the Office of Tax Analysis).

184. 12 U.S.C. §§ 2091, 2098 (referencing lending authority under § 2015(a) and taxation).

185. FARM CREDIT ADMIN., *Mission Compliance, FCA Examination Manual Em-31.5*, at 1 (Mar. 5, 2024), https://ww3.fca.gov/readingrm/exammanual/New%20Exam%20Manual/31.5.pdf [https://perma.cc/PF2U-6EHQ].

186. *See infra* notes 188–95, 199–204 and accompanying text (detailing federal and state agriculture tax treatment).

187. *See* Blake's Farm, Inc. v. Armada Twp., No. 371397, 2025 WL 1415150 (Mich. Ct. App. May 15, 2025); OHIO ADMIN. CODE § 5703-9-23 (2019); Claugus Family Farm, L.P. v. Harris, 274 N.E.3d 449 (Ohio 2025); *see also* Maria Koklanaris, *State Tax Incentive Programs Have More Than Doubled Since 1999*, TAX ANALYSTS (Nov. 16, 2015), https://www.taxnotes.com/tax-notes-today-state/corporate-taxation/state-tax-incentive-programs-have-more-doubled-1999/2015/11/16/279f?highlight=agriculture [https://perma.cc/CK87-GXFR] (listing agriculture third in the industries receiving the largest percentage of tax incentives and reporting the increased state demand for "scrutiny over tax incentives" to address "growing concerns about the[ir] effectiveness . . . and greater demands for transparency").

188. *Blake's Farm, Inc.*, 2025 WL 1415150, at *1, 4–5.

189. OHIO ADMIN. CODE § 5703-9-23 (2019).

190. *Claugus Family Farm, L.P.*, 274 N.E.3d at 601–05.

The Beautiful Bill included other tax provisions that promote agriculture and reduce cost burdens on farmers and rural citizens.[191] It enabled full and immediate expensing of farm equipment and doubled the limit that a taxpayer can expense.[192] It also increased the threshold on 1099-MISC reporting to $2,000 from the previously existing $600 level for short-term contractors of an employer.[193] Additionally, the Beautiful Bill permanently established and raised the estate tax exemption level and made permanent the 20% tax deduction for small businesses.[194] This 2025 legislation emphasizes Congress's intent to support rural communities, small businesses, property owners, and agricultural producers in alignment with the intent of § 139L.[195]

With the intent to remove barriers to accessing credit for farmers and rural citizens comes the expectation to see that goal carried out. The existence of the Office of Tax Analysis, with the role to analyze the effects of existing tax law and "generate discussion and critical comment," points to the importance of enacting effective laws and making changes to them when necessary.[196] Depending on how lenders choose to respond to § 139L, the Act may or may not benefit the customers of qualified lenders, causing superfluous loss of federal tax revenue if rates offered to customers remain the same on qualified loans as they were before § 139L took effect.[197] The amendment's required reporting and authorized oversight of the supervising agencies and the Secretary of the Treasury will provide the guidance and safeguards needed for the Act to provide certainty of achieving the goals of the Act's exclusion.[198]

Texas's approach to property taxes on land in agricultural use shows the enactment of tax legislation in tune with ensuring the realization of its purpose.[199] Texas promotes "the preservation of open-space land devoted to farm and ranch purposes" in its constitution and Tax Code.[200] Instead of an exclusion for open-space or agricultural land similar to the Texas residence homestead exemption, Texas enacted a special appraisal process that evaluates land based on "productivity value" instead of its generally higher "market value."[201] To receive this appraisal, the property must have been in

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191. *See* One Big Beautiful Bill Act, Pub. L. No. 119-21, § 70435, 139 Stat 72 (2025).

192. *See id.*

193. *See id.*

194. *See id.*

195. *See id.*

196. *Office of Tax Analysis*, U.S. DEP'T OF THE TREASURY, https://home.treasury.gov/policy-issues/tax-policy/office-of-tax-analysis [https://perma.cc/ZZ2M-LAGZ] (last visited Apr. 9, 2026).

197. *See* 26 U.S.C. § 139L.

198. *See supra* Section III.A (adding reporting and enforcement subsections to § 139L).

199. *See* TEX. CONST. art. VIII, §§ 1–d,1–d–1; *Special Valuation Appraisal*, TEX. OFF. OF THE COMPTROLLER, https://comptroller.texas.gov/taxes/property-tax/docs/98-1065.pdf [https://perma.cc/RJA9-Z3G4] (last visited Apr. 9, 2026).

200. Parker Cnty. Appraisal Dist. v. Francis, 436 S.W.3d 845, 848 (Tex. App.—Fort Worth 2014, no pet.) (citing TEX. CONST. art. VIII, § 1–d–1).

201. *Special Valuation Appraisal*, *supra* note 199.

agricultural use for at least three preceding years and landowners must reapply annually.[202] If a property owner ceases using land for agricultural or open use purposes, the state requires payment of a "rollback tax," or "the difference between the taxes actually imposed in the three years preceding the change in use and the taxes that would have been imposed on the property's market value."[203] Additionally, Texas mandated that the chief appraiser impose a penalty on landowners who fail to notify their appraisal district of a change in agricultural use or an end to the land's eligibility.[204]

By granting the appraisal district oversight authority and enforcing penalties on negligence in reporting, this Texas process protects the importance of agricultural land use through imposing accountability on those receiving the tax benefit.[205] Like the Texas open space and agricultural use special valuation appraisals, § 139L could also serve to lower costs and encourage rural land stewardship and agricultural business.[206] With the amendment proposed in this Comment, § 139L would gain the accountability provisions needed to secure its effectiveness.[207]

### *C. Policy Basis for Amendment of the Provision*

In addition to the strong legal basis supporting an amendment of § 139L, a policy analysis of the societal and economic considerations surrounding agricultural lending also directly strengthens the argument for amending the Act.[208] From a policy perspective, the important long-term outcomes and practical (compared to theoretical) tax implications to agriculture emphasize the exigency of the Amendment.[209] An amendment to § 139L will initiate a strategic solution to providing affordable, competitive agricultural credit to Americans.[210] More importantly, the mission-driven, high-impact additional services needed to accompany agricultural credit lending could not occur without the assistance of tax incentives historically granted exclusively to farm credit companies.[211] Other lenders must similarly develop goals and programs directed toward agricultural and rural Americans to receive the tax exclusion now provided by § 139L.[212] With the addition of oversight and

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202. *Id.*
203. *Id.*
204. *Id.*
205. *Id.*
206. *See Makes Rural America Great Again*, *supra* note 140.
207. *See supra* Section III.A (setting forth an amendment to § 139L).
208. *See infra* Sections III.C.1–3 (discussing the practical policy basis for the proposed amendment).
209. *See infra* Sections III.C.1–3 (explaining the practical policy basis in support of the proposed amendment).
210. *See supra* Section III.A (discussing the proposed amendment to § 139L).
211. *See* 12 U.S.C. § 2098.
212. *See supra* Section III.A (discussing the updated requirements after amending § 139L).

enforcement, § 139L will promote the long-term advancement of agriculture and rural America.[213]

Further, Congress should pass the amendment of the provision in recognition of the critical significance of the agriculture industry, which the Farm Credit System, and now the § 139L qualified lenders, must protect.[214] Despite arguments by economists to limit government intervention in the market through tools such as taxes and subsidies, the continued viability of farms and ranches sometimes depends on initiatives like the exclusion granted in the Act.[215] The oversight and enforcement subsections function to placate open-market concerns by holding lenders accountable for conveying to their rural and agricultural customers the financial benefits they receive from the Act's tax benefit.[216]

### *1. Long-term Outcomes for Rural Communities*

This proposal seeks to amend § 139L to codify not only a benefit to the lenders in the tax exclusion but also the intended benefit to the bank customers, reflected in cost reductions and other services.[217] Some of the benefits to competitive and intentionally regulated agricultural credit include increased support of rural communities, agricultural efficiency, market entry, and small business viability.[218] Specifically, increased credit access directly relates to higher agricultural productivity, meaning more outputs produced from fewer inputs, such as less land, fewer farmers, or less labor.[219] In the current period, where increasingly fewer people work in agricultural jobs and urban sprawl progressively leads to less land available for farming and ranching, increasing output only continues to grow in importance.[220] Accordingly, § 139L incentivizes lenders to provide sources of capital to farmers and ranchers for diversification, expansion, investment, and better risk management needed to generate that increased efficiency.[221]

In the context of agriculture, "even when preferable tax treatment is offered, [conservation of land for agricultural purposes] cannot be left susceptible to market forces."[222] The oversight and enforcement subsections will thus hold lenders accountable to executing the proffered reasons for which Congress extended the § 139L tax exclusion beyond farm credit

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213. *See infra* Section III.C.1 (outlining the long-term impacts of the proposed amendment).
214. *See infra* Section III.C.2 (describing the unique reasons for protecting agriculture).
215. *See infra* Section III.C.3 (highlighting the economic argument for an open market).
216. *See supra* Section III.A (outlining the proposed amendment to § 139L).
217. *See* 171 CONG. REC. H2235, H2335 (2025).
218. *See* Reyes, Shumway & Tong, *supra* note 11.
219. *See id.*
220. *See id.*
221. *See id.*
222. Daniel S. Stringer, *Rural Land Stewardship: Reinventing Development from the Grassroots with a Localized, Long-Term, Incentive-Based Program*, 17 PENN ST. ENV'T. L. REV. 225, 252 (2009).

banks.[223] Particularly, qualified lenders will assume their portion of responsibility for meeting the rural community's "needs of its current and future citizens" and "deal[ing] with the delicate balance of economic stability and environmental [or food and raw material supply chain] integrity."[224]

### *2. Special Implications of Agriculture that Call for Added Protections*

The need to ensure that American farmers and ranchers can adequately supply the nation with food and raw materials drives policy in support of providing readily available credit to sustain their production.[225] The FCS aligns with providing cost-effective credit through its young, beginning, and small farmers programs (YBS).[226] In an effort to encourage market entry, Farm Credit banks offer flexible loan terms, educational opportunities, and other programs to customers younger than thirty-five, possessing less than ten years of experience, or annually making less than $250,000.[227] Additionally, these programs allow lending banks opportunities for community outreach and relationship development not available from other financial institutions.[228] Implementation of supervisory measures accordingly ensures the initiation of loan offerings and other programs, such as YBS, by credit institutions which can also serve as an alternative to less economically productive government welfare programs.[229] Accordingly, YBS illustrates a non-financial reason for protecting the Farm Credit mission and, similarly, the intended purpose of § 139L.[230] Adding safeguards to the § 139L tax benefit available to additional lenders will help realize that mission.[231]

A persistent issue in banking relates to lending to rural residents, less wealthy individuals, or small businesses.[232] Historically, banks avoided offering long-term loans secured by rural or agricultural property to mitigate the institution's risk of non-payment and to minimize overhead costs.[233] The perception of risk stemmed from seasonal agricultural income, production uncertainty from weather or other factors, or a borrower's need for higher

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223. *See supra* Section III.A (inserting reporting and supervisory subsections to § 139L).

224. Stringer, *supra* note 222, at 253.

225. *See Threats to Food and Agriculture Resources*, DEP'T OF HOMELAND SEC. (2021) (explaining multiple policy arguments for the protection of the agricultural section), https://www.dhs.gov/sites/default/files/publications/threats_to_food_and_agriculture_resources.pdf [https://perma.cc/5UPN-P5J9].

226. *2023 Annual Report*, *supra* note 8, at 43.

227. *Id.*

228. *Id.*

229. *Id.*

230. *See id.*

231. *See supra* Section III.A (describing how expanding the exemption to more lenders benefits institutions and their customers).

232. *See infra* notes 233–35 and accompanying text (discussing the historic hesitance towards lending money to rural individuals).

233. *See* Oksan Bayulgen, *Giving Credit Where Credit Is Due: Can Access to Credit Be Justified as a New Economic Right?*, 12 J. HUM. RTS. 491, 492 (2013), https://doi.org/10.1080/14754835.2013.812468 [https://perma.cc/D4MJ-YJPU].

debt to operate.[234] In assessing the degree of this dilemma, an estimate found that "hard metrics can conclusively gauge the risk of just one-fifth of mortgage borrowers [—] suggesting that millions are excluded from affordable credit products."[235] Efforts such as YBS initiatives to provide loans to individuals who may not otherwise qualify, work to alleviate these difficulties and extend opportunities for development and improved quality of life.[236] By freeing individuals from uncertainty about obtaining food and shelter and enabling entrepreneurial or other endeavors, credit lending empowers people to establish a stable and productive economic future.[237] Credit access, therefore, advances both moral pursuits and economic opportunities for rural citizens.[238]

In agriculture, the credit market in the United States faces similar obstacles, because financial lending institutions are sometimes unwilling or unable to remedy problems that low-income borrowers face.[239] To effectively evaluate potential loans, lenders must look beyond the common metrics of credit scores and income statements to "local information . . . hard-to-quantify knowledge about the borrowers' earnings prospects, support networks, and broader communities."[240] In sum, agricultural lenders require not only local knowledge gained through business relationships with their clients but also industry knowledge regarding their rural and agricultural customers' work.[241]

### *3. Economic Argument for an Open Market*

Theoretical economic principles demonstrate that market distortion from extensive tax policy can increase borrowing costs through allocative inefficiencies from "subsidized interest rates."[242] This concept applies to many sectors of business and industry, and § 139L applied it to agricultural lending to reduce the cost of borrowing for lenders.[243] By adopting a tax incentive to influence interest rates, the government can essentially expand the supply of credit; however, opportunity costs and incidental economic effects can create costs on society.[244] Some economists find that the societal costs, or "deadweight losses," of government intervention outweigh the

234. *See id.*
235. Benjamin Della Rocca, *Rethinking Community Reinvestment*, 2023 COLUM. BUS. L. REV. 115, 119–20 (2023).
236. Bayulgen, *supra* note 233, at 493.
237. *Id.* at 494.
238. *Id.*
239. *See* Reyes, Shumway & Tong, *supra* note 11, at 3–4.
240. Della Rocca, *supra* note 235, at 119 (emphasis omitted).
241. *2023 Annual Report*, *supra* note 8, at 11.
242. Farrell E. Jensen, *The Farm Credit System as a Government-Sponsored Enterprise*, 22 REV. OF AGRIC. ECON. 326, 329 (2000).
243. *See id.* at 326.
244. *See id.* at 334.

benefits to agricultural creditors and their customers.[245] Accordingly, those economists consider the § 139L exclusion and other federal incentives inefficient and potentially an unjustified risk on taxpayers.[246]

Those individuals fail to account for the unique aspects of agriculture in the United States that necessitate government intervention through regulation, subsidies, and other programs.[247] Because of the critical nature of protecting our nation's supply of food and other raw materials, the government deemed extra measures necessary to avoid market failure and protect production.[248] While market failures in agriculture—"excessively high interest rates, unfavorable terms on loans, and unnecessary foreclosures forced by lenders unfamiliar with the risk characteristics of agricultural production"—may not presently plague the economy, the FCS and agricultural lending incentives hold essential roles in stabilizing interest rates and credit supply in the long term.[249] The federal tax exemption on rural real estate loans made by the FCS ensures the availability of agricultural credit regardless of the state of the economy and remains a necessary institution to mitigate risk in the credit market.[250]

The § 139L partial exclusion should extend the justification for government intervention in the credit market by delivering cost-effective credit and other services to customers.[251] The addition of reporting and regulation on the use of the tax exclusion should assuage concerns from open market theory supporters by encouraging and obligating lenders to thoroughly address Congress's intent to serve customers with rural and agricultural loans.[252]

## IV. CONCLUSION

The current global political and economic conditions force American farmers, ranchers, and rural residents to trudge through a torrent of problems affecting every aspect of their lives.[253] Trade tensions impact market prices of crops, buyers of commodities internationally, and the costs of equipment and supplies.[254] Widespread water shortages, natural disasters like fires, freezes, and floods, and other weather fluctuations create present and future

245. *Id.* at 326.
246. *See id.* at 335.
247. *See Critical Infrastructure Sectors: Food and Agriculture Sector*, *supra* note 12 (noting the critical nature of our nation's food supply).
248. *See id.*
249. *See* Jensen, *supra* note 242, at 330.
250. *See* 12 U.S.C. §§ 2001, 2098.
251. *See supra* Section III.A (adding a savings and aid to borrowers subsection to § 139L).
252. *See supra* Section III.A. (adding reporting and regulatory subsections).
253. *See supra* Part I (discussing factors negatively impacting farmers, ranchers, and rural residents).
254. *See* Chipman, *supra* note 65.

concerns.[255] An ever-growing population increases the need for food and agricultural products, while urban sprawl decreases the land available for farming.[256] On top of all those problems, high interest rates on loans place added financial stress on farmers in making loan payments and buying property.[257]

Rising interest rates could stack on the last factor before the tipping point for a farmer to decide to close his business and exit the market; however, § 139L, with the amendment proposed in this Comment, will combine its existing potential with necessary measures to assure the alleviation of that burden.[258] The three provisions of the amendment work in conjunction to incorporate accountability into § 139L through (1) savings and aid to borrowers, (2) reporting, and (3) enforcement.[259] First, the "savings and aid to borrowers" subsection leaves lenders' discretion as to the method but requires them to take action to lower the cost of borrowing for farmers, ranchers, and rural residents and businesses.[260] The reporting provision follows that section to ensure monitoring over what actions the lenders take, coordination between the types of qualifying lenders, and beneficial use of the § 139L tax exclusion.[261] Last, the enforcement provision allows revocation of a qualified lender's eligibility for electing not to take required steps to reduce costs for recipients of qualified loans.[262] By placing a duty to act on lenders and authorizing oversight on that action, all types of qualified lenders will possess the necessary mandate to support their rural and agricultural customers.[263]

Ample support for the passage of the amendment to § 139L exists in United States agricultural, banking, and tax law.[264] Congressional intent of implementing safeguards and oversight in agriculture readily appears in the framework and goals of the Farm Credit System, Chapter 12 bankruptcy, the USDA Farm Service Agency, Farmer Mac, and the Office of Tax Analysis.[265] Overall, federal and state law make evident the desire for supervision over recipients of tax benefits and over rural and agricultural legislation to protect the objectives of Congress.[266]

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255. *See* Fischer & Outlaw, *supra* note 9.
256. *See* Reyes, Shumway & Tong, *supra* note 11, at 3–7.
257. *See* Goss & Crawford, *supra* note 65 (noting "[e]levated long-term interest rates").
258. *See* TEX. FARM CREDIT, *supra* note 3.
259. *See supra* Section III.A (amending § 139L).
260. *See supra* Section III.A (discussing the savings and aid to borrowers provision of the proposed amendment).
261. *See supra* Section III.A (discussing the reporting provision of the proposed amendment).
262. *See supra* Section III.A (discussing the enforcement provision of the proposed amendment).
263. *See supra* Section III.A (discussing the proposed amendment to § 139L).
264. *See supra* Section III.B.2 (discussing policies that support the proposed amendment).
265. *See supra* Section III.B.2 (analyzing examples of relevant tax principles).
266. *See supra* Section III.B (discussing Congress's intent and policies supporting the proposed amendment).

On a policy basis, the massive benefit to rural Americans and agricultural businesses speaks for itself in terms of the potential long-term impact on communities.[267] The critical and unique nature of agriculture drives Congress to enact special mechanisms of support and protection in alignment with the amendment that this Comment proposes to § 139L.[268] While the tax exclusion of § 139L did introduce a new government-induced market distortion, the amendment's oversight and regulatory subsections justify any societal loss from an economic perspective.[269]

Congress should pass the amendment proposed by this Comment to ensure that the tax exclusion generates the magnitude of impact that it intended and that the benefit to rural Americans and agriculture carries on without regard to the state of the economy or other factors.[270] The adage "[*t*]*here's no such thing as a free lunch*" particularly applies in this case because Congress did not grant the § 139L exclusion without an expectation of reciprocal action by the lenders.[271] Farmers, ranchers, and rural businesses currently pay a very high price to provide every family in America with food, clothes, and other products used in our everyday lives, and high interest rates cause a significant part of their expenses.[272] In exchange for the partial tax exclusion on interest income from qualified real estate loans, financial institutions should pass down at least some benefit to their rural and agricultural customers by lowering interest rates or offering other programs or services in aid of the individuals they made the qualified loans to.[273] The passage of the amendment proposed in this Comment would follow through on that purpose.

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267. *See supra* Section III.C.1 (discussing the long-term benefits for rural communities from the proposed amendment).

268. *See supra* Part III (explaining the reasons supporting the proposed amendment and how it aligns with Congress's intent).

269. *See supra* Section III.C.3 (explaining that there is economic support for the proposed amendment).

270. *See supra* Part III (discussing the proposed amendment and its reasoning).

271. *See* MILTON FRIEDMAN, THERE'S NO SUCH THING AS A FREE LUNCH (Thomas Horton ed., 1975).

272. *See* TEX. FARM CREDIT, *supra* note 3.

273. *See supra* Part III (offering an amendment to § 139L and explaining the reasons for it).