

House Bill 2700

Sponsored by Representatives CLEM, ESQUIVEL, BUCKLEY; Representatives BOONE, GELSER, GILLIAM, JENSON, Senators BOQUIST, OLSEN, PROZANSKI, ROBLAN (Pre-session filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Directs Oregon Business Development Department to develop and implement Beginning and Expanding Farmer Loan Program to assist beginning farmers with acquisition of agricultural land, agricultural improvements and depreciable agricultural property. Requires use of private activity bonds on which interest is exempt from federal taxation for loans made by private lenders and sellers to beginning farmers. Requires department to adopt rules for operation of program and to establish definitions, eligibility requirements, criteria and standards in compliance with Internal Revenue Code.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

Relating to the Beginning and Expanding Farmer Loan Program; and prescribing an effective date.

Be It Enacted by the People of the State of Oregon:

SECTION 1. (1) The Legislative Assembly finds that the demand in Oregon for local food is surging, that the interest in farming among younger generations is on the rise and that access to capital is one of the most important factors contributing to the development and success of a local market agricultural sector in the Oregon economy.

(2) The Legislative Assembly also finds that the establishment and implementation of a federal-state, public-private partnership program to assist beginning farmers is a cost-effective way for Oregon to support beginning farmers and the growth of the local market agricultural sector across this state. Such a program would represent no cost or risk to the state and would allow private lenders to earn federally tax exempt interest income on loans to eligible beginning farmers.

SECTION 2. As used in this section and section 3 of this 2013 Act:

(1) "Agricultural improvements" means any improvements, buildings, structures or fixtures suitable for use in farming that are located on agricultural land.

(2) "Agricultural land" means land located in this state that is suitable for use in farming and that is or will be operated as a farm.

(3) "Beginning farmer" means a person as defined by the Oregon Business Development Department by rule. The rule, at a minimum, must define beginning farmer in compliance with definitions in section 147 of the Internal Revenue Code.

(4) "Depreciable agricultural property" means personal property suitable for use in farming for which an income tax deduction for depreciation is allowable in computing federal income tax under the Internal Revenue Code, including but not limited to farm machinery and trucks but not including feeder livestock, seed, feed, fertilizer and other types of inventory or supplies.

(5) "Lender" means either of the following that has entered into an agreement with the

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 department to originate, service and administer loans to beginning farmers in the manner
 2 authorized by section 3 of this 2013 Act:

3 (a) An insured institution as defined in ORS 706.008 that is authorized to do business in
 4 Oregon.

5 (b) A private person or entity that has entered into a written contract to sell agricultural
 6 land, agricultural improvements or depreciable agricultural property to a beginning farmer.

7 **SECTION 3.** (1) The Oregon Business Development Department shall develop and imple-
 8 ment the Beginning and Expanding Farmer Loan Program. To facilitate the making of loans
 9 to beginning farmers by lenders for the purpose of acquiring agricultural land, agricultural
 10 improvements or depreciable agricultural property, the department shall use private activity
 11 bonds, allocated under ORS 286A.605 to 286A.625, on which the interest is exempt from fed-
 12 eral taxation. The department may not guarantee the payment of a loan made under this
 13 section. The department shall bear no continuing responsibility for repayment of any bond
 14 allocated under this section other than the assignment to lenders of the department's in-
 15 terests, if any, in loans made to beginning farmers with the proceeds of bonds allocated un-
 16 der this section.

17 (2) The department shall adopt rules for the operation of the program and to establish
 18 definitions, eligibility requirements, criteria and standards in compliance with sections 144
 19 and 147 of the Internal Revenue Code. The program must require that loans made to begin-
 20 ning farmers be approved by the department in advance and made only if all of the following
 21 are satisfied:

22 (a) The lender has a current agreement with the department to participate in the pro-
 23 gram.

24 (b) The beginning farmer is a resident of this state.

25 (c) The agricultural land, agricultural improvements or depreciable agricultural property
 26 that is the subject of the loan is located or will be used in this state.

27 (d) The beginning farmer has sufficient education, training and experience to do the type
 28 of farming for which the loan is sought.

29 (e) The maximum loan amount for acquisition of agricultural land and agricultural im-
 30 provements by a beginning farmer does not exceed \$501,100, or the amount specified under
 31 26 U.S.C. 147(c)(2)(A) as adjusted for inflation under 26 U.S.C. 147(c)(2)(H).

32 (f) The maximum loan amount for the acquisition of new depreciable agricultural prop-
 33 erty by a beginning farmer does not exceed \$250,000.

34 (g) The maximum loan amount for the acquisition of used depreciable agricultural prop-
 35 erty by a beginning farmer does not exceed \$62,500.

36 (h) The beginning farmer will materially and substantially participate in the farming for
 37 which the loan is sought for the duration of the loan.

38 (i) The agricultural land, agricultural improvements and depreciable agricultural property
 39 will only be used for farming by the beginning farmer or by the beginning farmer and the
 40 beginning farmer's family for the duration of the loan.

41 (j) The beginning farmer has not previously received financing under the program, unless
 42 the amount previously received plus the amount of the loan sought does not exceed the
 43 amount specified in paragraph (e) of this subsection for agricultural land and agricultural
 44 improvements, \$250,000 for new depreciable agricultural property or \$62,500 for used
 45 depreciable agricultural property.

1 **(k) The length of the loan does not exceed 120 percent of the estimated life of the pur-**
2 **chase made with the loan proceeds.**

3 **(L) The beginning farmer and the lender have complied with any other requirement, cri-**
4 **terion or standard prescribed by the department by rule.**

5 **(3) The department may charge fees to lenders and beginning farmers as reasonably**
6 **necessary to administer the program. Lenders may charge usual and customary fees and**
7 **points as agreed to by the beginning farmer and the lender, and as approved by the depart-**
8 **ment.**

9 **(4) The terms of the loan, including interest rate and length of loan, shall be as agreed**
10 **to by the lender and the beginning farmer, subject to approval by the department. Lenders**
11 **are responsible for making independent credit evaluations of a beginning farmer or the**
12 **farming enterprise for which the loan is sought, and for the creation and perfection of se-**
13 **curity interests for any loan made to a beginning farmer under the program.**

14 **(5) The department shall prescribe by rule the application procedure for lenders and be-**
15 **ginning farmers to participate in the program.**

16 **SECTION 4.** **This 2013 Act takes effect on the 91st day after the date on which the 2013**
17 **regular session of the Seventy-seventh Legislative Assembly adjourns sine die.**

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