

Posted on Tue, Sep. 11, 2007

Senator proposes farmer tax credits

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WASHINGTON --

The chairman of the Senate Finance Committee is proposing a series of agricultural tax credits, bonds and a trust fund as part of a farm bill that would give billions in aid to farmers and pay for the nation's nutrition programs.

Montana Sen. Max Baucus, a Democrat, said Tuesday that his committee will find an extra \$8 billion to \$10 billion through new agriculture-related tax proposals. That would be added to the bill's baseline spending, estimated to be more than \$280 billion over five years.

Money has been tight for the farm bill, a politically popular piece of legislation that expires this year. Farm-state lawmakers have scrambled to find a way to pay for it as the Sept. 30 deadline looms.

The Finance Committee's proposals include a trust fund that would pay for weather-related disaster assistance - a priority in Baucus's home state. That could set up a fight with Agriculture Committee Chairman Tom Harkin, D-Iowa, who would rather use extra money for conservation programs that protect environmentally sensitive farmland, nutrition programs and other agricultural needs.

Harkin said Tuesday that a disaster fund, estimated to cost between \$5 billion and \$6 billion, is difficult to manage because losses are unpredictable. He has suggested revising the way subsidies are distributed instead, allowing farmers to collect payments when state-averaged revenues are low.

"I think there are better ways of protecting farm income," Harkin said Tuesday morning.

Later in the day, Harkin issued a statement saying that talks with the Finance Committee are continuing.

"We still have a way to go in these discussions," Harkin said.

Democratic Sen. Kent Conrad, the chairman of the Senate Budget Committee and also a member of the agriculture and finance panels, said he strongly supports Baucus's proposal.

"(Harkin) would like a blank check written but that's not the way it works," Conrad said. "This is money we would not otherwise get."

The House passed its version of the farm bill in July with more than \$6 billion extra paid for partly by a tax on some multinational companies with U.S. subsidiaries. That proposal almost derailed the normally bipartisan bill as Republicans revolted and called it a tax increase.

Baucus, who also sits on the Agriculture Committee, has said he doesn't think that tax would make it through the Senate. Instead, he has proposed giving farmers tax credits instead of cash payments for some conservation programs and offering tax incentives for rural economic development and bioenergy programs.

The disaster trust fund would help reimburse farmers who have lost crops or ranchland because of weather. That assistance has been paid through emergency dollars in recent years, and has occasionally threatened to stall spending bills as Western and Midwestern members have made recovering those losses a priority.

"Agricultural producers shouldn't have to beg Congress year after year for help with disasters," said Baucus, who is up for re-election in 2008.

Baucus said the disaster trust fund and the other measures would be paid for with "various provisions" under the finance committee's jurisdiction. He did not detail what those were. All of the agricultural tax measures proposed by the Finance Committee would be offset.

Under the proposal, farmers who receive subsidies for conserving farmland would be able to choose whether they want tax credits or federal cash. The plan also includes tax credit bonds for projects such as rural electric and telemedicine, rural broadband and other rural economic development.

Baucus said he also intends to include proposals that were part of an energy tax bill that stalled in the Senate earlier this year, including tax incentives for wind energy and biofuels.

Though the proposal differs from the House bill, that may not be a problem for House Agriculture Committee Chairman Collin Peterson, D-Minn. Peterson was supportive of the tax measure that passed the House but has said he is open to other ways to pay for the bill.