

Effects of Federal Tax Policy on Agriculture. By Ron Durst and James Monke. Food and Rural Economics Division, Economic Research Service, U.S. Department of Agriculture, Agricultural Economic Report No. 800.

Abstract

This report analyzes the effects of the current Federal tax code on farming and evaluates tax proposals to assist beginning farmers. Investment, management, and production decisions in agriculture continue to be influenced by Federal tax laws. Farmers continue to benefit from both Federal income and estate tax policies targeted to agriculture. These provisions exert upward pressure on farmland values and help support ongoing trends that increase the number of very small and large farms. However, the influence of the current tax structure with lower marginal tax rates and a broader income base is less than in earlier decades and may be small relative to government farm programs. Tax proposals to assist beginning farmers would likely increase the availability of land for lease or purchase, but would do little to make land more affordable.

Keywords: Federal tax policy, income tax, social security tax, structure, small farms, estate and gift tax, capital gains, farm losses

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