Key Ag Provisions in the Fiscal Cliff Package
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As you know, the House joined the Senate in passing a last-minute a legislative package to avoid the "fiscal cliff" late Monday night. The bill includes an extension of the 2008 Farm Bill through the end of the 2013 fiscal year which ends on September 30th. A summary of the key provisions relating to agriculture:

- The bill passed on a bipartisan 89-8 vote in the Senate and by 257-157 in the House, and was signed by the President early Thursday morning.

- The extension authorizes the Foreign Market Development (Cooperator) Program at $34.5 million and the Market Access Program (MAP) at $200 million. These levels reflect current funding in the budget baseline for FY-2013 for each program. This reauthorization now will enable USDA to provide new FY13 FMD and MAP allocations to cooperators, although it is uncertain at this time whether FAS will make full fiscal year allocations or whether FAS only will be able to make allocations representing 6 months of funding since the Continuing Resolution only funded spending programs from October 1, 2012 until March 27, 2013. *Program receives no mandatory funding and is subject to discretionary appropriations.*

- Authorizations for expired disaster assistance programs in the 2008 Farm Bill were extended but no new mandatory money was allocated. Extensions include $80 million for livestock indemnity payments, $400 million for the livestock forage disaster program, and $50 million for emergency assistance to livestock and farm-raised fish. *Program receives no mandatory funding and is subject to discretionary appropriations.*

- Both the Biobased Markets Program and the Biodiesel Fuel Education Program were reauthorized. *Program receives no mandatory funding and is subject to discretionary appropriations.*

- No mandatory funding was provided for any of the Energy Title (Title 9) programs.

- Research programs such as the Agriculture and Food Research Initiative (AFRI) were reauthorized. *Programs receive no mandatory funding and is subject to discretionary appropriations.*

- The extension means that $5 billion in Direct Payments could be made in October for the 2013 crop year unless Congress revises the program. Both the Senate and House farm bills from last year eliminated Direct Payments, using these funds for deficit reduction and to establish a revised safety net in the Commodity Title, and it is expected any new bill that is developed this year will do the same.

- The maximum enrollment in the Conservation Reserve Program (CRP) was extended at its current level of 32 million acres. However, it is uncertain how the Congressional Budget Office will score the 2.5 million acre decline in actual enrollment from Oct 1, 2011 to Oct 1, 2012.

- $30 million in discretionary funds were authorized for the Beginning Farmer and Rancher Development Program.

- Authorization for the McGovern-Dole International Food for Education Program was extended. *Program receives no mandatory funding and is subject to discretionary appropriations.*

- Because Crop Insurance is permanently authorized, expiration of the 2008 Farm Bill last September did not affect farmers who manage their risks using these programs.

- The fiscal cliff bill delays FY-2013 sequestration cuts of $110 billion for two months, until March 1. Agriculture and other programs may be subject to cuts as Congress approaches this new deadline.

- It is important to note that the extension is only a stopgap measure through the end of FY-2013 in September, and does not provide the long-term certainty and stability that farmers need.

- Farm groups must continue to push the 113th Congress to pass a comprehensive, five-year farm bill for all of agriculture and for the nation as a whole.

Biodiesel Tax Incentive

- The fiscal cliff package extends the $1.00-per-gallon credit for biodiesel, as well as an additional 10-cent credit for small producers, retroactive to 2012 through 2013. The tax credit will expire again on December 31, 2013.

- The two year biodiesel tax credit extension was scored at a cost of $2.181 billion dollars.

Estate Tax

- The legislation permanently establishes a tax rate of 40 percent (up from 35 percent) on estates valued over $5 million, or $10 million per couple.

- The exemption is indexed to inflation, and is guaranteed to rise to $7.5 million, or $15 million per couple, by 2020.

- In the absence of an extension of Bush-era rates, the estate tax rate would have risen to 55 percent on estates valued over $1 million, an unrealistically low level for agricultural operations.

- This solution will allow many farmers to pass their operations to the next generation without the undue burden of an unrealistic estate tax structure.

- The estate tax provisions were scored <u>at a cost</u> of $396.1 billion over ten years.