

September 26, 2025

The Honorable Scott Bessent
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue
Washington, D.C. 20220

Dear Secretary Bessent:

On behalf of the Independent Community Bankers of America (ICBA), the undersigned state banking associations, and the thousands of community banks we represent, we write to thank you for your role in working with President Trump and Congress to craft the One Big Beautiful Bill Act (OBBBA).

With these communities in mind, we write to share the recommendations of community banks for the implementation of Section 139L of OBBBA, also known as the Access to Credit for our Rural Economies Act (ACRE). Community banks extend nearly 80 percent of bank agricultural loans. The recommendations we share are based on decades of experience and honed expertise in working with American farmers and ranchers.

Community banks urge you to implement Section 139L to ensure that it will bring needed interest rate relief to American farmers and ranchers and generate growth in surrounding communities. To achieve this, we believe that as many agricultural loans as possible, consistent with the statute and congressional intent, should qualify under Section 139L. An unreasonably narrow interpretation of Section 139L would short change the potential of the OBBBA.

Background on ACRE (Section 139L)

A long-standing priority of community banks, ACRE, as enacted by Section 139L, provides a 25 percent tax exclusion for interest earned on bank loans secured by agricultural real estate. Importantly, this tax exclusion will result in lower interest rates for borrowers, which is the primary purpose of the law. Definitions of qualifying lenders and qualifying loans are set forth in statute. The effectiveness of ACRE depends on the implementation of these definitions. We focus this letter on two of these.

“Secured by rural and agricultural real estate”

Under Section 139L(c)(1)(A), to qualify for the tax exclusion, a loan must be secured by “rural and agricultural real estate.” In addition to loans used to acquire rural and agricultural real estate, we believe that any loan secured by such real estate should qualify. Examples include:

- Operating loans, equipment loans, working capital loans, livestock loans, facility construction loans. All such loans can be and frequently are secured by rural and agricultural real estate.
- A loan that is partially secured by real estate in addition to, for example, the value of equipment or another asset. Real estate as a secondary source of collateral should meet the definition of “secured by rural and agricultural real estate.”
- A loan secured by rural and agricultural real estate that includes a dwelling. Such property may be “*substantially* used for the production of one or more agricultural products” (139L(c)(3)(A)) and incidentally include a dwelling. The statute does not require that the property be *exclusively* used for agricultural production. To attempt to separate the value of the dwelling from the value of the production land would introduce needless ambiguity and complexity in the application of the law.
- Loans to fund agricultural land improvements.
- Loans guaranteed by the Farm Services Administration/United States Department of Agriculture.

A broad interpretation of “secured by rural and agricultural real estate” would simplify the administration of the law and deliver needed interest rate relief to farmers and ranchers.

Refinancing

Section 139L(c)(2) disqualifies “refinancings” from the tax exclusion. Specifically, the section provides that “a loan shall not be treated as made after the date of the enactment of this section (i.e., would be disqualified) to the extent that the proceeds of such loan are used to refinance a loan which was made on or before the date of the enactment.”

The term “refinancing” is not formally defined the tax code. Among agricultural bankers, a loan that includes “new money” beyond what is needed to pay off the existing loan is not a refinancing. It is common practice among agricultural lenders to modify loans as the borrower’s circumstances change to include new money or new collateral or to change loan terms. Such loans should qualify under Section 139L. An overly broad interpretation of “refinancing,” to include, and thus disqualify, all loans that restructure an outstanding loan would block the availability of interest rate relief for borrowers who need it most and undermine statutory intent.

Further, in implementing Section 139L(c)(2), we urge you to avoid a complex and uncertain exercise in allocating interest to the “new money” portion of a loan to calculate the tax exclusion. To ensure that interest rate relief is broadly available to farmers and ranchers, Section 139L should be easy for agricultural lenders to apply and for the IRS to administer. Broadly speaking, an approach that resolves any uncertainties in the definition of refinancing in a way that qualifies more rather than fewer loans would, we believe, be true to the statutory intent of Section 139L and the OBBBA.

Thank you for considering our views. We look forward to working with you to ensure that the implementation of Section 139L strengthens American farmers, ranchers and rural communities.

Sincerely,

Independent Community Bankers of America
Arizona Bankers Association
California Community Banking Network
Connecticut Bankers Association
Community Bankers Association of Georgia
Community Bankers Association of Illinois
Community Bankers of Iowa
Bluegrass Community Bankers Association
Maine Bankers Association
Massachusetts Bankers Association, Inc.
BankIn Minnesota
Missouri Independent Bankers Association
Nebraska Independent Community Bankers
New Jersey Bankers Association

Independent Bankers Association of New York
State
Independent Community Banks of North Dakota
Community Bankers Association of Oklahoma
Pennsylvania Association of Community Bankers
Independent Community Bankers of South Dakota
Independent Bankers Association of Texas
Virginia Association of Community Banks
Community Bankers of West Virginia
Wyoming Bankers Association

Alabama Bankers Association
Arkansas Community Bankers
Independent Community Bankers of Colorado
Florida Bankers Association
Idaho Bankers Association
Indiana Bankers Association
Community Bankers Association of Kansas
Louisiana Bankers Association
Maryland Bankers Association
Community Bankers of Michigan
Mississippi Bankers Association
Montana Independent Bankers
Community Bankers Association of New Hampshire
Independent Community Bankers Association of New
Mexico
North Carolina Bankers Association

Community Bankers Association of Ohio
Oregon Bankers Association
Independent Banks of South Carolina
Tennessee Bankers Association
Vermont Bankers Association, Inc.
Community Bankers of Washington
Wisconsin Bankers Association

CC: Treasury Assistant Secretary for Tax Policy Ken Kies
Treasury Assistant Secretary for Financial Institutions Luke Pettit