

AG ISSUES UPDATE
Edited by Brad Hollabaugh
July, 2012

State Budget Retains Funding for Vital Agriculture Programs

The new state budget approved by the General Assembly and signed by Governor Corbett maintains spending for vital agriculture programs, including Cooperative Extension and agriculture research administered by Penn State University.

The University of Pennsylvania's School of Veterinary Medicine, the Nutrient Management Fund, Conservation Districts and the Animal Health Commission will receive the same amount of funding as the past year. The cigarette tax is still being used to fund the Farmland Preservation program. And the Race Horse Development Fund will help to support county fairs and the PA Farm Show.

As part of the overall budget process, lawmakers also demonstrated an understanding of the vital role Farmland Preservation plays throughout the state by continuing to use the Cigarette Tax as the dedicated source to fund the program. Pennsylvania County Fairs will receive \$2 million in assistance, more than doubling the amount from last year, while the State Farm Show received a modest bump to \$3 million.

Changes to Inheritance and Realty Transfer Taxes Signed into Law

The Pennsylvania General Assembly has approved changes to the state tax code that will help preserve the economic viability of Pennsylvania family farms. The changes, recently signed into law by Governor Corbett, include a provision that exempts from inheritance taxation the passage of farm assets from a deceased individual to close family members who continue the farm operation.

Pennsylvania families currently pay inheritance taxes essentially on the first dollar of value of the decedent's taxable estate. This can be especially challenging for farmers, who typically have low cash reserves but need large amount of land for their operations. Farmers are often faced with added difficulties, when they are forced to sell off assets or farmland to pay off inheritance taxes.

Another change to the tax code provides an exemption from realty transfer taxation of farm property as part of the reorganization of a family-owned farm business to a limited, or limited liability, partnership or to a corporation managed by the same family.

The change allows farmers to get the same tax treatment as other family-owned businesses. Families in non-farming businesses in Pennsylvania are already provided an exemption from realty transfer taxes when they reorganize and put their assets in the name of the business created through reorganization. The legislation would allow farm families, who want to change their current business structure into a more helpful one for the family (like a limited partnership), that same exemption.

The exemption would still require 75 percent of the business to be owned by members of the same family making up the family farm corporation or family farm partnership.

Vehicle Code Bills Clear Pennsylvania State Senate Agriculture Committee

The Senate Agriculture & Rural Affairs Committee recently approved a package of bills that would modernize the state Vehicle Code governing farm equipment. The bills, which have already been passed by the House, now move to the Senate Appropriations Committee.

This legislation would allow farmers to legally and safely move modern agriculture equipment on roadways. The bills would increase the width allowances for farm implements of husbandry to 16 feet, for both daytime and nighttime use. Implements wider than 14 feet 6 inches would be required to have an escort vehicle when operated or moved on roads. And when operated at night, these implements would also be required to comply with special lighting requirements.

Other amendments would increase the distance farm trucks exempt from registration may be operated to 50 miles from or between farms; increase the distance multipurpose vehicles may be used between farms to five miles; and automatically exempt trailers towed by implements and farm trucks from registration requirements when operated within 50 miles of the farm.

PA Department of Agriculture Department Urges Producers to Report Crop Damage promptly

The Pennsylvania Department of Agriculture has already been getting reports of damage to crops this year, from causes ranging from armyworms to late blight. PDA wants to remind producers the proper procedures to file a crop insurance claim:

To file a claim:

- Call your crop insurance agent (follow up in writing) within 72 hours of discovery of damage.
- Do not destroy evidence that is needed to support your claim without clear direction from the insurance company's adjuster (in writing).

Whenever there is damage due to insects and/or disease it is critical to show:

- Substantiation that it was uncontrollable.
- That preventative measures that were taken – showing you are following good farming recommended practices (per cooperative extension).
- Measures you have taken, as well as the timing of the action taken since you determined there was damage – again, it is important to be able to show you are following good farming recommended practices.

Producers should contact their local crop insurance agent and the local Farm Service Agency (FSA) office immediately to report crop damage.

To contact your local cooperative extension office visit <http://extension.psu.edu/counties> and click on your county. For more information about Pennsylvania's crop insurance education program, call 717-705-9511 or visit www.agriculture.state.pa.us and click on "Programs."

Changing School Funding Method Under Discussion

House Bill 1776 calls for the elimination of school property taxes and for schools to be funded through increases in the local income tax and state sales tax. Such a change offers some potential benefits to farmers who typically own larger tracts of land which are taxed under the current system. However, the Clean and Green program continues to offer substantial relief to agricultural operations who qualify and apply for this consideration. This legislation is supported by the Pennsylvania Farm Bureau (PFB).

A shift away from property taxes has often been viewed as a more fair and equitable manner to finance our public school system because it spreads the burden of supporting public education among all wage earners, not just property owners. However, an exclusive shift to using only income and sales taxes as the basis for funding public education could present economic challenges. During downturns in the economy, property taxes remain a relatively stable source of income. However, income and sales taxes are subject to greater fluctuation as the economy strengthens or weakens.

Even with the tax relief offered through the Clean and Green program, many farmers still face challenges paying their property tax bills. In addition, a Penn State study reveals that farms only require pennies on the dollar in the cost of needed services from local municipalities compared to residential housing.

U.S. Senate Passes Farm Bill, Legislation Moves to House

The United States Senate recently passed their version of the Farm Bill, which calls for the end of direct payments but strengthens crop insurance to help producers faced with catastrophic losses. The bill now heads to the House of Representatives for debate.

The current Farm Bill expires in October. The Senate cut \$23 billion from the Farm Bill, but improved crop insurance programs and provided a commodity title to encourage producers to follow market signals rather than making planting decision in anticipation of government payments. The key Market Access Program (MAP) was also retained in the House version, due in a large part to the efforts of Senator Debbie Stabenow (D-MI).

The five-year \$500 billion bill largely governs funding for nutrition programs. Only 20 percent covers areas like crop insurance and conservation measures. Pennsylvania Senator Pat Toomey voted against the bill, while Sen. Robert Casey voted to approve it. Senator Toomey indicated that he did not support the bill "because it was not crafted in a fiscally responsible manner".

Supreme Court Overturns Much of Arizona Immigration Law

The Supreme Court recently struck down much of Arizona's immigration law. The court upheld the controversial provision allowing police to check the immigration status of anyone stopped or detained for any reason.

However, it overturned Arizona's requirement that all immigrants carry their immigration papers, the prohibition on illegal immigrants seeking or holding jobs, and a provision allowing police to arrest suspected illegal immigrants without warrants. The court said those provisions are in the federal government's jurisdiction, not the state's. The Obama administration sued to block the Arizona law.

Parts of immigration laws in five other states—Alabama, Georgia, Indiana, South Carolina and Utah—have been on hold pending the Supreme Court decision. Now, with the legal precedent set by this recent ruling, legal challenges to those laws are expected to proceed.

Farmers to Receive Additional Crop Insurance Assistance

Pennsylvania Farmers who have enrolled in eligible 2012 crop insurance policies will automatically receive an additional federal premium assistance of up to \$225 per policy. That money is part of a \$5.5 million federal Risk Management Agency crop insurance package distributed to 16 states. Policies eligible for the subsidy are buy-up crop policies.

Non-eligible plans include catastrophic risk protection, and policies or endorsements insured under the livestock risk protection and livestock gross margin for dairy plans of insurance.

Premium reductions will be automatically applied to all eligible 2012 policies with acreage reporting deadlines before Sept. 30. For more information, contact the Pennsylvania Department of Agriculture at: 717-705-9511.

Energy Audit Grants Available

Farmers can use grant money to evaluate the energy use of their operations through an energy audit. The Pennsylvania Farm Audits Program will allow producers to offset the costs of an audit, which identifies places where energy is being lost.

The program is a partnership between the USDA, Capital Resource Conservation and Development Council, the Center for Dairy Excellence and Penn State Cooperative Extensions. The USDA will offset the cost of the audit up to 75 percent with the farmer paying the remaining costs. Resources may able be available to help farmers pay for improvements identified in the audit.

Funds are available on a first-come, first-serve basis and are limited to commercial farmers. Farmers should contact one of the partner organizations to apply. For more information, or to receive a copy of the application, visit: <http://extension.psu.edu/energy/farmers-landowners> and click on PA Farm Energy Audits Program.

Nominations Open for FSA County Committees

Farmers can now make nominations for local Farm Service Agency County Committees in their region. In order to serve on a county committee, a person must participate or cooperate in an FSA administered program, and live in the local administrative area. Farmers and ranchers can nominate themselves or other agriculture producers.

FSA county committees make decisions on disaster and conservation programs, commodity price support loan programs and other issues. There are about 7,700 farmers serving on FSA boards. Committees, which consist of three to 11 members, are elected by eligible producers. Candidates must sign a nominating form available at <http://www.fsa.usda.gov/elections>.

Favorite Farmers' Market Contest Returns

Farmers' market shoppers across the country can once again vote for their favorite markets. The contest, run by the American Farmland Trust, continues all summer long and is designed to promote the role that farmers' markets play in keeping farmers on the land. All 7,175 markets that are listed in the U.S. Agriculture Department's National Farmers' Market Directory are part of the contest.

According to the contest rules, people can vote for as many participating farmers' markets as they choose, but can only vote for each market once.

Voting runs through midnight on Sept. 3, when one small, one medium, one mid-size and one large market will win the title of "America's Favorite Farmers' Market" for 2012. The winning markets will be featured in the media and will be honored at local celebrations organized by American Farmland Trust.

For more information or to vote, go to: www.votemyfarmersmarket.org

New Farm Safety Resources Available Online

A new farm-related educational resource has been added to a national website (*eXtension*) that offers everyone from beginning farmers to veteran growers answers to hundreds of farm-related safety and health questions. The easy-to-navigate format features information from a consortium of 74 land-grant universities. The website provides tips on farm safety and health issues ranging from grain bin entrapments to safe handling of beef cattle.

Articles on the site cover a range of topics including safety recommendations when baling and handling big round hay bales; confined-space hazards and gas monitoring of manure pit gases; youth ATV safety; and hearing loss. Visit www.extension.org for more information.