THE FARM PROSPERITY AND COST RELIEF ACT
Providing Cost of Doing Business Relief for America's Farmers and Ranchers

Revised September 2026

Summary

America's farmers and ranchers remain the backbone of the domestic economy and of national food security. They feed families and sustain rural payrolls. They also face a cost-price squeeze that does not stop at an acreage line or a gross-income threshold. Fertilizer, fuel, seed, chemicals, machinery, and interest press every operation that puts food on a truck, impacts from these pressures are felt from a first-generation homestead to a multi-county grain or livestock business.

Senator Mark Baisley has a consistent record of fighting government overreach, cutting red tape, and backing private-sector solutions in the Colorado State Senate. Durable prosperity comes from freer markets, not from a new agency or a larger emergency check after the damage is done. The proposals detailed in this report build on tools already in the tax code, export a voluntary Colorado stewardship model that Baisley voted to enact, and deliver cash-flow relief without creating a new federal bureau. [1]

The Focused Issue: Structural Cost Pressures

USDA's Economic Research Service forecasts net farm income at $153.4 billion for calendar year 2026, a $1.2 billion (0.7%) decline from 2025 in nominal dollars. [2] Total farm production expenses are forecast at $477.7 billion, up $4.6 billion (1%) from 2025. [3] Farm sector debt is projected at a record $624.7 billion, a 5.2% increase. [4] Farm interest expense has recently exceeded $33 billion a year, which is about 37% above the inflation-adjusted 2020 level. [5]

Chapter 12 family-farm bankruptcies rose 46% in 2025, to 315 filings from 216 in 2024, the third consecutive annual increase, according to American Farm Bureau Federation analysis of U.S. Courts data. [6] The same period saw operating-loan volumes rise and the average size of a farm operating loan increase by about 30%. [7]

Per-acre production costs remain elevated and are projected higher in 2027: approximately $936 per acre for corn, $684 for soybeans, and $419 for wheat in 2026, rising to about $952, $701, and $428 respectively in 2027. [8] Tight margins are already expected to slow input buying. [9]

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[1] Colorado General Assembly. "HB24-1249 Floor Vote." Senate Third Reading, 8 May 2024. Record: Baisley, Yes; 32 Aye, 1 No, 2 Excused. https://leg.colorado.gov/bill_votes/12369.

[2] U.S. Department of Agriculture, Economic Research Service. "Highlights from the Farm Income Forecast." USDA ERS, 7 May 2026, https://www.ers.usda.gov/topics/farm-economy/farm-sector-income-finances/highlights-from-the-farm-income-forecast.

[3] U.S. Department of Agriculture, Economic Research Service. "Nominal and inflation-adjusted U.S. farm production expenses, 1970–2026F." USDA ERS Chart Gallery, 5 Feb. 2026, https://www.ers.usda.gov/data-products/chart-gallery/gallery/chart-detail/?chartId=82242.

[4] U.S. Department of Agriculture, Economic Research Service. "Assets, Debt, and Wealth." Farm Sector Income & Finances, 18 May 2026, https://www.ers.usda.gov/topics/farm-economy/farm-sector-income-finances/assets-debt-and-wealth.

[5] Widmar, David. "$33B and Rising: Farm Interest Expense Up 37%." Michigan Farm News, 23 Feb. 2026, https://www.michiganfarmnews.com/-33b-and-rising-farm-interest-expense-up-37-.

[6] Cross, Lauren. "Farm Bankruptcies Jumped 46% in 2025 as Debt Loads and Costs Rise." Investigate Midwest, 25 Feb. 2026, https://investigatemidwest.org/2026/02/25/farm-bankruptcies-jumped-46-in-2025-as-debt-loads-and-costs-rise/.

[7] Federal Reserve Bank of Kansas City agricultural credit survey, as cited in Cross, Lauren. "Farm Bankruptcies Jumped 46% in 2025 as Debt Loads and Costs Rise." Investigate Midwest, 25 Feb. 2026. Average farm operating-loan size rose about 30 percent year over year.

[8] American Farm Bureau Federation, as reported in "Farm Production Costs to Hit Record Highs in 2027, USDA Says." Farm News Media, 22 June 2026. 2026 cost of production near $936/acre corn, $684 soybeans, and $419 wheat; 2027 projections $952 corn, $701 soybeans, and $428 wheat.

[9] Fatka, Jacqui. "Tight Farmer Margins Expected to Slow Input Buying." CoBank Knowledge Exchange, 8 July 2026, https://www.cobank.com/knowledge-exchange/tight-farmer-margins-expected-to-slow-input-buying.

Cost drivers that hit every size class

- **Fertilizer and fuel.** Anhydrous ammonia has seen year-over-year spikes approaching 40 percent in recent episodes; nitrogen fertilizers have risen 20 to 30 percent or more over comparable periods. [10] National Agricultural Statistics Service (NASS) estimates 2025 U.S. farm fuel expense at $15.6 billion. On crop farms, fertilizer, lime, and soil conditioners were $28.3 billion, and combined crop inputs (chemicals, fertilizers, and seed) were $70.6 billion, reflecting 30% of all crop farm spending. [11] Some operations have reported daily machinery fuel bills in the thousands of dollars. [12]
- **Debt and interest.** Record sector debt and interest near $33 billion lock producers into larger, longer operating loans to cover short-term and volatile needs.
- **Margins and exits.** A slight decline in net farm income leaves many operations with tight or negative returns on major crops even as cash receipts from commodity sales are forecast at $514.7 billion. [13]

These pressures are national. They are acute in Colorado, where agriculture is the foundations of local economies, water rights, and a way of life already under drought and growing regulatory stress from both the state and federal governments. They are not confined to mid-size family operations. After looking into this further and expanind data sources, it is clear the USDA farm-typology data show why an all-size design is the honest policy. Small family farms are the large majority of farm numbers, but large-scale family farms (which account for about about 5% of farms) are responsible for roughly 50% of production value and about 33% of acres operated. Mid-size family farms add about 18% of production value. Nonfamily farms add another 15% of the total pot. [14] [15]

Current Policy Landscape

Existing federal tools help with capital purchases. Permanent 100% bonus depreciation and the Section 179 expensing limit of $2,560,000 for tax years beginning in 2026 are real, pro-growth instruments. [16] [17] They do not solve variable input costs or year-to-year cash flow strain, and they do not make the tax treatment of a true operating lease predictable. Direct government payments to producers are themselves forecast at $44.3 billion in 2026, up $13.8 billion (45.2%) from 2025, reflecting Farm Bill triggers and still variably high supplemental support and disaster assistance. [18]

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[10] "Global Shipping Disruptions and the Recent Increase in Nitrogen Fertilizer Prices." Agricultural Economics, University of Kentucky, 2026, https://agecon.mgcafe.uky.edu/articles/global-shipping-disruptions-and-recent-increase-nitrogen-fertilizer-prices.

[11] U.S. Department of Agriculture, National Agricultural Statistics Service. Farm Production Expenditures 2025 Summary. USDA-NASS, July 2026, https://release.nass.usda.gov/reports/fpex0726.pdf.

[12] Yoder, Forrest. Quoted in "Paying $1,500 a Day in Fuel for Two Tractors, Farmer Calls Input Costs Worst Since 1980s." AgWeb, 2026, https://www.agweb.com/news/policy/ag-economy/paying-1-500-day-fuel-two-tractors-farmer-calls-input-costs-worst-1980s.

[13] Litkowski, Chris. "Farm Income Forecast." USDA Economic Research Service presentation, Apr. 2026, https://lmic.info/wp-content/lmic-files/lmic-data/memberspublic/Meetings/IOC2026/1_Litkowski%20Farm%20Income%20Forecast.pdf.

[14] Whitt, Christine, et al. America's Farms and Ranches at a Glance: 2024 Edition. USDA Economic Research Service, Economic Information Bulletin 283, 2024, https://ers.usda.gov/sites/default/files/_laserfiche/publications/110560/EIB-283.pdf.

[15] U.S. Department of Agriculture, Economic Research Service. "America's Farms and Ranches at a Glance" webinar transcript. 10 Feb. 2026. Large-scale family farms: about 5 percent of farms, about 50 percent of production value, and 33 percent of acres.

[16] "2026 Section 179 Deduction: Complete Guide & Limits." Section179.org, 2026, https://www.section179.org/section_179_deduction/.

[17] Reed Corporation. "2026 Section 179 + Bonus Depreciation: $2.56M Expensing Cap." Reed Corp. Tax Guides, 2026, https://reedcorp.tax/helpful-guides/2026-section-179-bonus-depreciation/.

[18] U.S. Department of Agriculture, Economic Research Service. "Direct Government payments to U.S. farm producers, 2022–26F." USDA ERS Chart Gallery, 5 Feb. 2026, https://www.ers.usda.gov/data-products/chart-gallery/gallery/chart-detail/?chartId=82238.

At the state level, Colorado's Agricultural Stewardship Tax Credit (HB24-1249) is the working model. It is a refundable, voluntary, first come first serve credit of up to $300,000 per qualified taxpayer against a $3 million annual statewide pool, available through 2030.[19] [20] [21]

Policy Proposals

Each title can stand alone or be packaged as the Farm Prosperity and Cost Relief Act. All three titles are available to every farm and ranch that reports agricultural activity on a federal return, without an income-class exclusion.

Proposal 1 — Clear tax rules for farm equipment leases

Objective. Give every producer a predictable way to acquire machinery without locking up cash or adding debt. A new combine, tractor, or irrigation system can cost hundreds of thousands of dollars. Purchase incentives already exist; many operations still need to lease. Current law treats some true rentals like loans. IRS challenges create uncertainty. A statutory safe harbor ends that fight.

Rule. Lease payments on qualified agricultural operating leases are fully deductible ordinary business expenses in the year paid on Schedule F (or the equivalent farm schedule), treated like fuel, seed, or veterinary costs. No multi-year depreciation schedule applies when the safe harbor is met.

Safe-harbor conditions.

- The lessor retains most of the residual risk and long-term residual value.
- There is no bargain purchase option that effectively forces ownership.
- The lease term is shorter than the equipment's full useful life.

Eligibility. Open to operations of every size. An optional five-year 5 to 10% additional deduction may be layered for first-generation operators, family transfer, or for operations below a published gross-farm-income marker. Large and very large operations receive the same safe-harbor certainty as a 200-acre farm.

Cost-savings case. Clarity expands leasing, preserves capital, and reduces interest-driven cash drain on a sector already carrying $624.7 billion in debt. Faster equipment turnover puts more efficient machines in the field, lowering fuel burn and repair downtime. Local dealers, mechanics, and lessors keep work in rural counties. Every dollar that stays on the farm as working capital is a dollar that does not have to be borrowed at elevated rates and a dollar less likely to reappear later as an emergency appropriation.

Proposal 2 — Tax relief for qualified farm input costs

Objective. Return a defined share of the everyday production bill — fertilizer, fuel and oil, agricultural chemicals, and seed through tools already available in the tax code. These are the categories most exposed to international supply shocks and energy-price spikes. Relief arrives on the ordinary annual return. No new agency.

[19] Colorado Department of Agriculture. "Agricultural Stewardship Tax Credit." Colorado Department of Agriculture, 2026, https://ag.colorado.gov/ag-stewardship-tax.
[20] Colorado General Assembly. HB24-1249, Tax Credit Agricultural Stewardship Practices. 2024 Regular Session, https://leg.colorado.gov/bills/HB24-1249.
[21] Colo. Rev. Stat. § 39-22-561 (2025). "Agricultural stewardship tax credit." https://law.justia.com/codes/colorado/title-39/specific-taxes/income-tax/article-22/part-5/section-39-22-561/.

Design. Two routes, usable alone or together.

- **Option A — Above-the-line deduction.** A deduction equal to 10 to 12% of actual spending on qualified production inputs, substantiated with ordinary invoices. A high per-operation dollar cap keeps the general benefit without excluding large producers from a cost savings claim.
- **Option B — Section 199A supplement.** An agriculture specific add on to the permanent Qualified Business Income deduction, with a floor so active small producers still receive a material benefit and no income cutoff that zeroes out large pass-through farms.

Why all sizes. NASS data show crop-input concentration at scale: combined chemicals, fertilizers, and seed already account for 30% of crop-farm expenditure. Large-scale family farms produce about 50% of U.S. agricultural output. After detailed overview and research it was found that if the deduction is only open to those smaller operations, most of the national fertilizer, chemical, and seed purchasers would never see a benefit, and most of the food supply gets no cost relief.

Cost-savings case. A 10 to 12% recognition of costs producers already pay is not a new subsidy. It is simply a much faster recognition of those farms operation costs. Holding more operations above breakeven reduces pressure for supplemental disaster packages and other as-needed aid. Direct federal payments are already forecast at $44.3 billion in 2026. Cost relief that keeps production in place is cheaper than paying after the fact. Stable production also supports more predictable grocery prices and export volume.

Proposal 3 — National Agricultural Stewardship Tax Credit

Objective. Export Colorado's bipartisan, voluntary, refundable credit so producers in every state can be paid for practices that cut long-run input use and raise drought and weather resilience, and without an EPA mandate.

Structure, modeled on HB24-1249.

- **Refundable.** The credit is paid even when current year federal tax liability is low or zero, a feature that matters in a drought year.
- **Practice and acreage based.** Amounts follow practices and acres. Colorado's list includes annual practices (no-till or minimized tillage, cover cropping or seasonal rotation, managed grazing on cover crops, residue management, nutrient management), perennial practices (prescribed grazing, rangeland planting or overseeding, conservation cover, irrigation water management), and supplemental practices such as soil-carbon amendments and invasive-plant management. New and ongoing practices can qualify. [22]
- **Tiered rates.** Colorado pays more per acre when more practices stack on the same land (up to $75 / $100 / $150 per acre by practice count, subject to rulemaking). A federal version can adopt similar or alternative tiers.
- **Per producer cap, not a size ban.** Retain Colorado's $150,000 to $300,000 per qualified taxpayer per year, with inflation adjustment. A 10,000-acre operation and a 200-acre operation use the same statute. The cap limits any one claimant; it does not lock large farms out.
- **National ceiling and sunset.** A hard annual appropriation or statutory credit ceiling keeps the predictable. Potential and example program appropriation ceiling: $2.5 to $3.0 billion per year, five-year authorization, required sunset before reauthorization is very important with this proposal.

[22] Colorado Department of Agriculture. "Unlock Funding for On-Farm Stewardship Practices Through New Tax Credit." Press release, 1 Oct. 2025, https://ag.colorado.gov/press-release/unlock-funding-for-on-farm-stewardship-practices-through-new-tax-credit-applications.

- **No double dip.** The credit cannot stack on a federal conservation contract payment for the same practice on the same acres in the same year, this is a vital detail and is already detailed in Colorado's program.

Cost-savings case. Stewardship is not an amenity, its an investment into future yield returns. No-till, cover crops, nutrient management, and irrigation efficiency cut future fertilizer, fuel, and water intensity. Those are recurring private savings and recurring reductions in disaster vulnerability. Paying a capped, voluntary credit up front is cheaper than repeating supplemental disaster programs when soil will not hold water or when nutrient runoff and drought losses trigger another bill. The credit remains a substitute for future ad-hoc aid, not an add-on.

Benefits — With Cost Savings First

The point of this Act is not to enlarge the farm bottom line. It is to leave more of the cost of producing food in private hands and more in their own pockets, while it also seeks to reduce what Washington spends when farms fail.

Direct savings to producers

- Immediate cash flow improvement on leases and on 10 to 12 % of qualified input spend, available the year the cost is incurred.
- Working capital preservation that reduces reliance on larger loans at elevated interest rates.
- Refundable stewardship cash in low-liability years, especially like this year, when drought or price collapse would otherwise freeze conservation investment.
- Same rules for a small ranch, a mid-size grain farm, and a large-scale family or nonfamily operation. One massive benefit realized during revisions was the avoidance of restructuring games to avoid an income cliff.

Savings and gains in the farm economy

- Dealer, lessor, mechanic, trucking, and input-supplier activity when equipment turns over and production holds.
- More stable domestic supply and export volume, which translates to more robust food security as a national security benefit.
- State and local receipts on farm profits, equipment and input sales, and land that stays in production. Those dollars never have to be backfilled by the federal government.

Fiscal Impact — All-Size Design

Revised Estimated Annual Cost

Component	Annual range	Design notes
1. Lease safe harbor + optional small-op / first-gen kicker	**$0.5 – $1.2B**	Mostly timing. True leases are often already deductible; the score is certainty plus broader uptake across large fleets.
2. Input deduction / 199A supplement (10–12%), all sizes	**$3.5 – $5.5B**	No income-class exclusion. High per-operation cap ($400k–$600k) for score control. Qualified base: fertilizer, fuel/oil, chemicals, seed.
3. Stewardship credit, hard national ceiling	**Up to $2.5 – $3.0B**	Statutory cap. Per-taxpayer limit $150k–$300k. Five-year sunset. No size ban.
All-size package total	**($6.5 – $9.7B / yr)**	10-year static gross: about $65 – $97B. Front-loaded. Subject to official score.

Why the score moved.

Earlier versions used a family and mid-size farm package of roughly $3.9 to $4.6 billion a year. Removing income exclusions raises the input investment the most, mainly due to the fact that large-scale family farms and nonfamily operations account for a vast majority of production value and therefore a majority of fertilizer, chemical, seed, and fuel spend. The lease title rises more modestly. The stewardship title rises only to the new statutory ceiling; the per-taxpayer cap still bounds any one claimant.

MOST IMPORTANTLY — How the cost is covered

Savings / receipt source	10-year conservative range
Avoided federal emergency and supplemental outlays. Direct payments are forecast at $44.3B in 2026. A 15–25% reduction in the supplemental and emergency support slice of that baseline is the primary funder/avoided future expense.	**$40 – $70 billion**
Added federal receipts from farms that stay above breakeven (Schedule F profits, later-year income, fewer write-offs after exit).	**$8 – $16 billion**
Adjacent industry federal receipts: equipment dealers, lessors, mechanics, suppliers, trucking, and product processing.	**$8 – $18 billion**
State and local receipts on farm and dealer activity and on land that stays in production.	**$8 – $18 billion**
Against static federal cost of	**$65 – $97 billion**

The federal bill is covered by fewer relief payments plus higher tax receipts from a sector that keeps producing. States come out ahead on top of that. The current package cost remains a fraction of what Washington already spends when farms fail, and it is structured as existing tax code clarity, a capped and effective deduction, and a voluntary credit.