

Farmers and Small Businesses Need a Tax Exemption on Loans Now

Iowa Republican Compromise Bill Levels the Tax Playing Field

The Iowa Senate has unveiled its tax overhaul plan. One feature seeks to create balance among financial institutions by **treating banks and credit unions the same and subject to similar tax provisions.**

Wisconsin Leads in Farm Bankruptcies

The Western District of Wisconsin had the highest number of farm bankruptcies in the nation. The district includes 44 counties covering half the state. The Western District had 28 compared to 17 cases in Wisconsin's Eastern District while Minnesota had 19.

Additionally, in the Chicago Fed district, ag credit conditions declined in the third quarter of 2017, with availability of funds for lending by ag banks down relative to a year ago for the first time in 11 years.

Disappearing Tax Base

Wisconsin's tax base is disappearing as credit unions acquire Wisconsin banks. Just the week, Superior Choice Credit Union announced the acquisition of Dairyland State Bank. This is the fourth merger of this type in the last three years. The attorney who represented the credit union has been quoted in the news that there will be similar announcements in the next 90 days.

Unfair Competition in the Commercial Lending Marketplace

Wisconsin banks that had never been in competition with credit unions on commercial projects are now finding they in fact are. A WBA member recently shared this with the association:

"We had never really been in competition with credit unions on commercial projects in the past but that has now changed. A credit union provided a financial proposal on a XX million plus project for land purchase and infrastructure financing of an industrial park. Their quote was less than us on interest rate and their advance rate on the real estate was up to 90%."

WBA is advocating for small businesses and farmers to benefit from tax relief.

Small businesses play a critical role in the U.S. economy. According to Federal Reserve Board data, small businesses employ approximately one-half of all Americans and account for about 60 percent of gross job creation. The goal of the Access Better Credit budget provision is to help stimulate additional credit availability and job creation through the U.S. banking system, with a focus on promoting small business lending. This would create a tax exemption for loans under \$10 million that are for small business and agricultural purposes.

How does this help?

- This proposal will generate nearly a quarter billion dollars worth of lending capacity at Wisconsin banks.
- This proposal will provide increased access to cheaper credit for small businesses and farmers in an increasing interest rate environment.
- Lowering the cost of a loan is essential for our farmers and small businesses. Lower costs means lower rates and increased access to capital.
- While major tax legislation has passed on the federal level, Wisconsin would be leading the way on tax reform on the state level as the first state to adopt this tax provision.