

**79-32,181. Credit against tax for interest rate reduction for agricultural production loan by production credit association.** (a) On and after the effective date of this act and prior to July 1, 1990, any production credit association or agricultural credit association chartered by the farm credit administration under the federal farm credit act, as amended (12 U.S.C. 2001 *et seq.*), which extends or renews an agricultural production loan under the provisions of this act to an eligible agricultural borrower at an interest rate which is at least one whole percentage point less than the lowest rate at which the association is making agricultural production loans to agricultural loan customers with equivalent collateral, and any such association which reduces the rate of interest being charged on any outstanding agricultural production loan to an eligible agricultural borrower by at least one whole percentage point shall receive a credit against its income tax liability pursuant to article 32 of chapter 79 of the Kansas Statutes Annotated, for taxable years commencing after December 31, 1988, to the extent hereinafter provided. Such tax credit shall be allowed for such interest rate reductions by an association upon agricultural production loans having a total principal amount not exceeding 15% of the amount of such loans reflected in the association's report filed with the farm credit administration for calendar year 1985.

(b) For the purposes of this section, the term "eligible agricultural borrower" means any person, partnership or family farm corporation, as defined in K.S.A. 17-5903, and amendments thereto, located in the state of Kansas, having an agricultural production loan which has been classified as substandard or doubtful by any banking regulator, the farm credit administration or a district farm credit system institution which is subject to review by the farm credit administration.

(c) An interest rate reduction may be applied under the provisions of this section only when the eligible borrower can be reasonably expected to service the principal and interest of such person's loan.

(d) The total credit against tax liability shall be the amount by which the interest income to the association on and after the effective date of this act and prior to July 1, 1990, has been reduced on such loans because of such reductions in rates of interest, except that the credit allowed as a result of an interest rate reduction on any one agricultural production loan shall not exceed an amount equal to 3% per annum on the unpaid principal balance of the loan. The tax credit allowed for any taxable year shall not exceed 1/5 of the total tax credit of the association allowed under this act. Unused tax credit shall be carried forward as a credit to the association's tax liability in each subsequent taxable year and shall then be taken into account, subject to the limitation that the credit in any one taxable year may not exceed 1/5 of the total tax credit.

(e) Any taxpayer who qualified for and claimed credit under this section prior to its amendment by this act shall continue to be subject to this section as in effect at the time the taxpayer qualified for such credits for the entire period for which the credits were claimed.

**History:** L. 1986, ch. 367, § 2; L. 1989, ch. 292, § 2; April 18.