

IRC Section 139L: Access to Credit for our Rural Economy (ACRE) Act

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Issue Update

A version of the Access to Credit for our Rural Economy (ACRE) Act was enacted as part of the One Big Beautiful Bill Act and became law on July 4, 2025, via Internal Revenue Code Section 139L. Section 139L allows qualified lenders to exclude 25% of interest income earned on certain loans secured by rural or agricultural real property, including aquaculture facilities. Congress enacted ACRE to lower borrowing costs, improve access to affordable credit, and strengthen rural communities.

As Treasury and the IRS implement Section 139L, guidance should reflect congressional intent by adopting broad eligibility standards, providing practical treatment of restructurings and refinancings, and addressing the interaction between Sections 139L and 265.

Why It Matters

Farmers and ranchers continue to face elevated operating costs, tight margins, and higher borrowing expenses. Section 139L was enacted to lower the cost of credit and improve access to financing in rural America.

ACRE's effectiveness depends on clear implementation. Without additional clarity, lenders and tax advisers may reach differing interpretations, creating uncertainty that could limit adoption and reduce the benefits Congress intended for rural borrowers.

Recommended Action Items

Encourage Treasury and the IRS to Follow Congressional Intent. Congress intended ACRE to lower borrowing costs and expand access to affordable rural credit. Treasury and the IRS should provide clear, practical guidance that supports broad loan eligibility, appropriately treats restructurings and refinancings, and clarifies the interaction between Sections 139L and 265. Clear guidance is necessary to provide lenders certainty and ensure Section 139L delivers the maximum benefit possible for farmers, ranchers, and rural communities.

Repeal the Section 265 Interaction for Section 139L Loans. The interaction between Sections 139L and 265 remains one of the most significant outstanding implementation issues. Treasury and the IRS should provide coordinated guidance to ensure Section 139L operates as Congress intended. However, if administrative guidance cannot fully resolve the issue, Congress should enact a targeted legislative clarification providing that interest excluded from income under Section 139L does not result in the denial, reduction, or limitation of deductions under Section 265 or any other provision of the Internal Revenue Code. This would preserve Congress's intent to lower borrowing costs and improve access to affordable rural credit.