

Access to Credit for our Rural Economy (ACRE) Act

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Issue Update

The Access to Credit for our Rural Economy Act (S. 838/H.R. 1822), also known as ACRE, will help sustain and grow rural America by lowering the cost of financing certain agricultural loans and rural mortgages. The ACRE Act allows banks to exclude federal income tax interest earned from new farm real estate loans, aquaculture loans, and home mortgages in small rural communities of 2,500 or less. This would enable community banks to lower interest rates and expand access to low-cost credit. ACRE offers a simple solution to create a more competitive market for agricultural loans that benefits farmers, ranchers, and rural homeowners without new government payments or programs.

A modified version of ACRE was included in H.R. 1, the One Big Beautiful Bill (OBBB) Act and became law on July 4, 2025, allowing banks to exclude 25% of their interest income for new farm real estate loans and aquaculture loans. On January 20, 2026, ABA submitted comments to the Internal Revenue Service (IRS) on interim guidance for the section of the Internal Revenue Code that covers the modified version of ACRE that was enacted through the OBBB.

Why It Matters

Rising input prices and supply chain dynamics are driving up the costs of operating America's farms and ranches. At the same time, high interest rates are hampering profitability for farmers and putting homeownership out of reach for many rural Americans. While the modified version of ACRE included in the OBBB lowers some costs for agricultural borrowers, passage of S. 838 and H.R. 1822 would further improve affordability and bolster rural communities.

Recommended Action Items

Ask Congress to Encourage the IRS to Follow Congressional Intent. Congress intended ACRE to help lower interest rates for farmers and ranchers. IRS guidance must have broad loan eligibility, clarify interest expense deductibility, and the ability to restructure agricultural loans to provide the maximum benefit possible. Thank your members of Congress for their support and ask them to urge the IRS to provide clear guidance that reflects congressional intent.

Ask Congress to Support ACRE. The ACRE provisions included in the OBBB were an important first step towards providing lower cost credit to farmers and ranchers. Congress should find legislative pathways to expand ACRE to a 100% tax exclusion for agriculture and rural homeowners.