

# The “Top 10” Ag Law and Tax Developments of 2025: Number 1

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Ag Law and Taxation Blog: <https://agriculturallaw.lawprofessorsblogs.com/>  
February 2026

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The biggest development of 2025 in agricultural law and taxation was the signing into law on July 4 of the OBBBA. The OBBBA represents a significant mix of tax relief and modernized safety nets for the ag sector. By aligning tax code benefits with the economic realities of rising input costs and market volatility, the OBBBA provides much-needed stability for farmers, ranchers, and agribusinesses.

The OBBBA contains numerous tax provisions of primary importance to farmers and ranchers, including the following:

- Permanent Section 179 and Bonus Depreciation: The Act stabilizes the Section 179 expensing limit at \$2.5 million for 2025, indexed for inflation, and permanently restores 100 percent Bonus Depreciation. This allows the immediate deduction of the full cost of equipment in the year of purchase.
- Federal Estate Tax Applicable Exclusion: The OBBBA sets the estate and gift tax exemption at \$15 million, indexes the amount for inflation beginning in 2027 and makes it permanent.
- Avoids a significant tax rate increase. Specifically, married filing joint taxpayers with taxable income of \$23,850-\$96,950 avoided a 25% percent bracket rate increase starting in 2026. That would have triggered an additional \$1,500 of federal tax for a couple with \$50,000 of taxable income.
- Prevents the Qualified Business Deduction for non-C corporations from expiring.
- Restores more favorable tax rules for business interest deductibility and research and experimentation expenses
- Enhances the child tax credit
- Includes enhancements for rural opportunity zones.

The OBBBA’s Commodity Title addresses the inadequacy of previous “reference prices,” which many argued had failed to keep pace with the soaring costs of fuel, fertilizer, and seed. Statutory reference prices for major crops (corn, wheat, soybeans, and cotton) were increased by an average of 12–15 percent to reflect higher production costs. Also, farmers have a voluntary, one-time opportunity to reallocate base acres to reflect their actual planting history from 2020–2024. Other changes were made with respect to ARC and PLC payments and the application of Supplemental Coverage Option (SCO). Farmers will realize higher ARC/PLC payments in the fall of 2026.



For ranchers, the OBBBA expands the Livestock Indemnity Program (LIP) to include coverage for animal deaths caused by extreme heat and “unprecedented wildfire events.” Additionally, the Act creates a new Specialty Crop Insurance Pilot, providing revenue protection for high-value crops like fruits and nuts that were previously underserved by traditional commodity programs.

## Conclusion

There were many significant developments in agricultural law and taxation in 2025. There will be many more in 2026.

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