

119TH CONGRESS  
1ST SESSION

# S. 2100

To amend the Internal Revenue Code of 1986 to modify certain rules applicable to qualified small issue manufacturing bonds, to expand certain exceptions to the private activity bond rules for first-time farmers, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

JUNE 17, 2025

Ms. ERNST (for herself, Mr. WARNER, and Mrs. HYDE-SMITH) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to modify certain rules applicable to qualified small issue manufacturing bonds, to expand certain exceptions to the private activity bond rules for first-time farmers, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Modernizing Agricul-  
5 tural and Manufacturing Bonds Act”.

1 **SEC. 2. MODIFICATIONS TO QUALIFIED SMALL ISSUE**  
2 **BONDS.**

3 (a) MANUFACTURING FACILITIES TO INCLUDE PRO-  
4 Duction OF INTANGIBLE PROPERTY AND FUNCTIONALLY  
5 RELATED FACILITIES.—Subparagraph (C) of section  
6 144(a)(12) of the Internal Revenue Code of 1986 is  
7 amended to read as follows:

8 “(C) MANUFACTURING FACILITY.—For  
9 purposes of this paragraph—

10 “(i) IN GENERAL.—The term ‘manu-  
11 facturing facility’ means any facility  
12 which—

13 “(I) is used in the manufacturing  
14 or production of tangible personal  
15 property (including the processing re-  
16 sulting in a change in the condition of  
17 such property),

18 “(II) is used in the creation or  
19 production of intangible property  
20 which is described in section  
21 197(d)(1)(C)(iii), or

22 “(III) is functionally related and  
23 subordinate to a facility described in  
24 subclause (I) or (II) if such facility is  
25 located on the same site as the facility  
26 described in subclause (I) or (II).

1           “(ii) CERTAIN FACILITIES IN-  
2           CLUDED.—The term ‘manufacturing facil-  
3           ity’ includes facilities that are directly re-  
4           lated and ancillary to a manufacturing fa-  
5           cility (determined without regard to this  
6           clause) if—

7                   “(I) those facilities are located on  
8                   the same site as the manufacturing  
9                   facility, and

10                   “(II) not more than 25 percent  
11                   of the net proceeds of the issue are  
12                   used to provide those facilities.

13           “(iii) LIMITATION ON OFFICE  
14           SPACE.—A rule similar to the rule of sec-  
15           tion 142(b)(2) shall apply for purposes of  
16           clause (i).

17           “(iv) LIMITATION ON REFUNDINGS  
18           FOR CERTAIN PROPERTY.—Subclauses (II)  
19           and (III) of clause (i) shall not apply to  
20           any bond issued on or before the date of  
21           the enactment of the Modernizing Agricul-  
22           tural and Manufacturing Bonds Act, or to  
23           any bond issued to refund a bond issued  
24           on or before such date (other than a bond  
25           to which clause (iii) of this subparagraph

1 (as in effect before the date of the enact-  
2 ment of the Modernizing Agricultural and  
3 Manufacturing Bonds Act applies)), either  
4 directly or in a series of refundings.”.

5 (b) INCREASE IN LIMITATIONS.—

6 (1) IN GENERAL.—Section 144(a)(4) of such  
7 Code is amended—

8 (A) in subparagraph (A)(i), by striking  
9 “\$10,000,000” and inserting “\$30,000,000”,  
10 and

11 (B) in the heading, by striking  
12 “\$10,000,000” and inserting “\$30,000,000”.

13 (2) INCREASE IN ADDITIONAL CAPITAL EX-  
14 PENDITURES NOT TAKEN INTO ACCOUNT.—Section  
15 144(a)(4)(G) of such Code is amended by inserting  
16 “\$30,000,000, in the case of bonds issued after the  
17 date of the enactment of the Modernizing Agricul-  
18 tural and Manufacturing Bonds Act”.

19 (3) INCREASE IN AGGREGATE LIMIT PER TAX-  
20 PAYER.—Section 144(a)(10)(A) of such Code is  
21 amended by striking “\$40,000,000” and inserting  
22 “\$120,000,000”.

23 (4) ADJUSTMENT FOR INFLATION.—Section  
24 144(a) of the Internal Revenue Code of 1986 is

1 amended by adding at the end the following new  
2 paragraph:

3 “(13) ADJUSTMENT FOR INFLATION.—In the  
4 case of any calendar year after 2025, the  
5 \$30,000,000 amounts in paragraph (4)(A), the  
6 \$30,000,000 amount in paragraph (4)(G), and the  
7 \$120,000,000 amount in paragraph (10)(A) shall  
8 each be increased by an amount equal to—

9 “(A) such dollar amount, multiplied by

10 “(B) the cost-of-living adjustment deter-  
11 mined under section 1(f)(3) for the calendar  
12 year, determined by substituting ‘calendar year  
13 2024’ for ‘calendar year 2016’ in subparagraph  
14 (A)(ii) thereof.

15 If any amount as increased under the preceding sen-  
16 tence is not a multiple of \$100,000, such amount  
17 shall be rounded to the nearest multiple of  
18 \$100,000.”.

19 (c) EFFECTIVE DATE.—The amendments made by  
20 this section shall apply to obligations issued after the date  
21 of the enactment of this Act.

22 **SEC. 3. EXPANSION OF CERTAIN EXCEPTIONS TO THE PRI-**  
23 **VATE ACTIVITY BOND RULES FOR FIRST-**  
24 **TIME FARMERS.**

25 (a) INCREASE IN DOLLAR LIMITATION.—

1 (1) IN GENERAL.—Section 147(c)(2)(A) of the  
2 Internal Revenue Code of 1986 is amended by strik-  
3 ing “\$450,000” and inserting “\$1,000,000”.

4 (2) REPEAL OF SEPARATE LOWER DOLLAR LIM-  
5 ITATION ON USED FARM EQUIPMENT.—Section  
6 147(c)(2) of such Code is amended by striking sub-  
7 paragraph (F) and by redesignating subparagraphs  
8 (G) and (H) as subparagraphs (F) and (G), respec-  
9 tively.

10 (3) QUALIFIED SMALL ISSUE BOND LIMITATION  
11 CONFORMED TO INCREASED DOLLAR LIMITATION.—  
12 Section 144(a)(11)(A) of such Code is amended by  
13 striking “\$250,000” and inserting “\$1,000,000”.

14 (4) INFLATION ADJUSTMENT.—

15 (A) IN GENERAL.—Section 147(c)(2)(G) of  
16 such Code, as redesignated by paragraph (2), is  
17 amended—

18 (i) by striking “after 2008, the dollar  
19 amount in subparagraph (A) shall be in-  
20 creased” and inserting “after 2026, the  
21 dollar amounts in subparagraph (A) and  
22 section 144(a)(11)(A) shall each be in-  
23 creased”,

24 (ii) in clause (ii), by striking “2007”  
25 and inserting “2025”, and

1 (iii) in the last sentence, by striking  
2 “\$100” each place it appears and inserting  
3 “\$10,000”.

4 (B) CROSS-REFERENCE.—Section  
5 144(a)(11) of such Code is amended by adding  
6 at the end the following new subparagraph:

7 “(D) INFLATION ADJUSTMENT.—For infla-  
8 tion adjustment of dollar amount contained in  
9 subparagraph (A), see section 147(c)(2)(G).”.

10 (b) SUBSTANTIAL FARMLAND DETERMINED ON  
11 BASIS OF AVERAGE RATHER THAN MEDIAN FARM  
12 SIZE.—Section 147(c)(2)(E) of such Code is amended by  
13 striking “median” and inserting “average”.

14 (c) EFFECTIVE DATE.—The amendments made by  
15 this section shall apply to bonds issued after December  
16 31, 2025.

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