

Kansas Creates New Loan Forgiveness Program to Address Rural Attorney Shortage and Protect Agricultural Interests

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Overview

For years, the "legal desert" in rural Kansas has been a growing concern for farmers, ranchers, and agribusinesses. When a multi-generational farm needs a complex succession plan, or a rancher faces a water rights dispute, the lack of local legal expertise isn't just an inconvenience, it's a threat to the operation's viability. Sub for HB 2595, now enacted as the Attorney Training Program for Rural Kansas Act (Act), is the state's direct legislative response to this crisis.

Why This Matters for Agriculture

Agricultural law is a highly specialized field involving complex intersections of property rights, federal subsidies, environmental regulations, and unique tax codes. Historically, Kansas has seen a steady migration of legal talent toward urban centers like Wichita, Topeka, and the Kansas City metro area. Roughly 80 percent of Kansas attorneys are concentrated in just six of the state's 105 counties (Douglas, Johnson, Sedgwick, Shawnee, Wyandotte, and Riley). This has left many of Kansas's 105 counties with dwindling numbers of attorneys. Indeed, some rural counties have fewer than three practicing lawyers, many of whom are nearing retirement. Just in the past three years, the number of rural attorneys in Kansas has dropped by another 5 percent. Presently, two Kansas counties have zero practicing attorneys, and approximately 31 counties have less than four attorneys per 1,000 residents. For the agricultural sector, this creates a "knowledge gap" where the experts required to handle land transfers and agricultural taxation are miles away and overbooked.

Observation: Law schools have contributed to the problem. For decades, the internal culture of law schools has subtly (and sometimes overtly) steered students away from "Main Street" practice. National law school rankings historically placed a high premium on "BigLaw" placement and starting salaries. To climb the rankings, career service offices often prioritized relationships with large urban firms as those positions boosted the school's "median starting salary" stats far more than that of a solo practitioner in a rural county. Likewise, modern legal "education" has increasingly moved toward narrow specialization. In contrast, a successful rural attorney must be a "legal Swiss Army Knife" - handling everything from a boundary dispute in the morning to a complex farm estate tax issue in the afternoon. For years, this "generalist" path was falsely framed as less intellectually rigorous than specialized urban practice.

A significant portion of the remaining rural attorneys are over the age of 60. In several counties, the remaining attorneys are often semi-retired, meaning their capacity to take on complex, multi-year agricultural litigation or intensive estate restructuring is extremely limited. The "knowledge gap" isn't just about a lack of lawyers; it's about a lack of *specialized* lawyers. Agricultural law requires a unique "bilingual" ability to speak both the language



of the IRS and the language of the farm. When rural attorneys retire, they take decades of "institutional memory" with them - details about water rights, boundary disputes, and family dynamics that aren't always captured in a paper file.

Critical Areas Impacted by the Shortage:

- **Succession and Estate Planning:** A major risk in farm estate planning is the disconnect between state-level business entities (like an LLC) and USDA Federal Program Payments. An attorney unfamiliar with agriculture, for example, may draft a succession plan that inadvertently violates the "actively engaged in farming" rules, potentially disqualifying the operation from vital federal subsidies.
- **Taxation: Beyond** state-level issues, the federal income tax code for agriculture is a labyrinth of industry-specific provisions that bear little resemblance to standard small business accounting. A key example is Schedule J (Farm Income Averaging), which allows producers to mitigate the "bracket creep" caused by volatile year-to-year income by spreading current-year profits over the previous three years' tax brackets. Also, navigating the I.R.C. §1031 "like-kind" exchange rules requires precise timing and documentation to defer massive capital gains. Furthermore, the handling of Commodity Credit Corporation (CCC) loans presents a unique choice: a farmer can treat the loan proceeds as debt (non-taxable) or elect to report them as income in the year received, a decision that can drastically alter their tax liability depending on current market prices and projected future brackets. Without a specialized attorney (or CPA or other tax practitioner) a farmer risks missing out on these specialized "relief valves."
- **Water Rights:** In Western Kansas, water is a most valuable asset. Navigating state regulations requires a level of expertise unique to the particular rural area.

Mechanics

The Act provides a structured financial roadmap to make it sustainable. Here are the primary mechanisms:

1. \$3,000 Law Student Stipends: "The Early Commitment"

This mechanism aims to influence law students *before* they sign contracts with large urban firms during their second or third year of law school.

- **Eligibility:** Restricted to students currently enrolled at the University of Kansas (KU) School of Law or Washburn University School of Law. Eligible students can receive the stipend for up to three years (the typical duration of a J.D. program).
- **Usage:** The \$3,000 annual stipend is versatile; it can be applied to tuition, fees, books, or other school-related expenses incurred while pursuing the law degree.
- **The "90-Day Rule":** To remain in compliance, a recipient must begin practicing in a rural Kansas county within 90 days of being admitted to the state bar.



- **Commitment Trigger:** While the money is received *during* school, the "service clock" doesn't start until after graduation. Recipients must begin their full-time practice in a rural Kansas county within 90 days of being admitted to the Kansas Bar. Also, for every year a student accepts the stipend, they commit to one year of rural practice. A student who takes the stipend for all three years of law school owes the state three years of service in a designated county.

The stipend is technically a form of "conditional debt." It is only fully forgiven once the student completes one year of rural service for every year they received the stipend. To put it simply, the \$3,000 stipend functions as a "work-for-equity" agreement between the student and the State of Kansas. While the money is paid out during law school to help with tuition and books, it is not a "free" scholarship in the traditional sense until the service requirement is met. The forgiveness structure operates on a direct one-to-one ratio. For every academic year a student accepts the \$3,000 stipend, they "earn" the right to have that debt canceled by practicing law in a qualifying rural county for one full year.

Example:

- **Scenario A:** A student takes the stipend only during their third year (3L) of law school. They receive \$3,000. To have that debt forgiven, they must practice in a rural county for 12 months.
- **Scenario B:** A student takes the stipend for all three years of law school. They receive a total of \$9,000. To reach "full forgiveness," they must practice in a rural county for 36 months (3 years).

At the moment the student receives the check, the State of Kansas records it as a loan. It only transforms into a "gift" (forgiven debt) once the service is rendered.

If the student fails to meet the requirements, for example, if they decide to take a job in Wichita or Kansas City instead of a rural area the "condition" of the debt has been breached. At that point the student must repay every cent of the stipend money received. The repayment isn't just the principal; the Act mandates an interest rate (typically the prime rate plus 2 percent) be applied from the date the breach occurred. The student generally has only 90 days to pay the state back in full once they are found to be in breach of the agreement.

Observation: This structure is intentionally rigid to ensure that tax dollars are effectively "buying" legal years for rural communities. For a farm family, this provides peace of mind: the young attorney moving into town isn't just there for a summer internship; they are financially committed to staying and building a practice for at least as long as the state supported their education.

2. Loan Repayment: "The Retention Engine"

This is the "heavy lifter" of the bill, designed to offset the massive debt that often "forces" new lawyers into (supposedly) higher-paying city jobs.



- **Maximum Annual Benefit:** Up to \$20,000 per year is paid directly toward the attorney's outstanding student loans.
- **Defining "Rural":** Under the Act, "rural" is explicitly defined as any county in Kansas **except** the five most populous: Douglas, Johnson, Sedgwick, Shawnee, and Wyandotte. This opens up 100 out of 105 counties for placement.
- **Practice Requirements:** The attorney must be "actively engaged" in the practice of law, which includes private practice, serving as a county attorney, or acting as local government counsel.

3. The Total Forgiveness Cap: \$100,000 Over 5 Years

The legislation sets a clear ceiling to ensure the program's budget remains predictable while providing enough incentive to change an attorney's career trajectory.

- **Duration:** The incentive is structured to last five years, which research suggests is the "tipping point" where a professional becomes fully integrated into a community.
- **The Goal:** By the time an attorney reaches the \$100,000 cap, they have typically established a home, built a client base of local farmers and businesses, and are far more likely to stay long-term than someone just starting out.

4. Sunset Provision: July 1, 2031

Like many major fiscal initiatives, this Act includes a built-in expiration date to allow for a "performance audit."

- **Measurement of Success:** Before the 2031 deadline, the legislature will evaluate whether the "legal deserts" have shrunk and if the ratio of attorneys to residents in rural counties has improved.
- **Clawback Provisions:** Procedurally, if an attorney receives funds but leaves their rural practice early, the Kansas Department of Commerce (which administers the program) has the authority to recover those funds, ensuring the state's investment is protected.

What Happens Next?

The implementation of HB 2595 will follow a specific administrative path to ensure the funds are reaching the right areas:

1. **Creation of the Rural Attorney Program Fund:** A dedicated fund is established in the state treasury to house the stipends and loan repayment monies.
2. **Advisory Committee Oversight:** An advisory committee, including representatives from the Kansas Bar Association, the Kansas Supreme Court, and the state's two law schools, will oversee the application process.



3. **Definition of "Rural":** Procedurally, the committee will prioritize counties based on population density and the current ratio of attorneys to residents.
4. **Contractual Commitment:** Lawyers entering the program must sign a written agreement. If they leave the rural area before their commitment is up, the legislation includes "clawback" provisions requiring them to repay a portion of the benefits.

Effective Date

The Act is effective July 1, 2026. On that date the "Rural Attorney Program Fund" officially opens in the state treasury. Administrative policies for applications will need to be put in place. Thus, the Kansas Department of Commerce and the Advisory Committee have a brief window to finalize the administrative framework before the first round of stipends and loan repayments can be processed.

Conclusion

From a technical standpoint, the Act is a critical "infrastructure" win for Kansas producers. Stable agricultural operations depend on local counsel who possess more than just a general law degree. Agricultural law and agricultural taxation are often "law by the exception." While the bill does nothing to enhance that specialized training (the "front end" of the problem) it does help the "back end" of the matter. By lowering the barrier to entry for young attorneys in rural communities, the state has taken the first step in protecting the legal and financial interests of its biggest and most vital industry – the big business of agriculture. Hopefully, the second step focusing on the front-end problem will occur in the next legislative session.

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