

**Subject** Beginning Farmer Agricultural Assets credit

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## Overview

H.F. 1456 makes three changes to the Beginning Farmer Agricultural Asset credit:

- 1) Allows sales of agricultural assets to family members to qualify for the credit.
- 2) Increases the credit rate for socially disadvantaged farmers and ranchers from 5% to 10%.
- 3) Appropriates 5% of the annual credit allocation to the Rural Finance Authority to develop an online application system and to administer the program. The appropriation would be \$300,000 per year for fiscal years 2022-2024.

## Summary

Section	Description
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<b>1</b>	<b>Tax credit for owners of agricultural assets.</b>
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Allows sales of agricultural assets to family members (or spouses of family members) that are beginning farmers to qualify for the Beginning Farmer Agricultural Asset credit.

In the case of sales of agricultural assets sold to a family member, to qualify for the credit the sale price must equal or exceed the assessed market value of the asset. If there is no assessed value of the asset, the sale price must equal or exceed 80% of the fair market value of the asset.

Under current law, the credit for the sale of an agricultural asset equals 5% of the sale price, or the fair market value of the asset—whichever is lower. The bill increases the credit percentage to 10% for a “socially disadvantaged farmer or rancher.” A socially disadvantaged farmer or rancher is defined by reference to federal law—a farmer or rancher who is a member of a group “whose members have been subjected to racial or ethnic prejudice because of their identity as members of a group without regard to their individual qualities.”

Section	Description
2	<p data-bbox="313 258 544 296"><b>Authority duties.</b></p> <p data-bbox="313 306 1429 422">Reduces the amount of credit allocations available per year by 5%, and appropriates the same amount to the Rural Finance Authority to develop an online application system and administer the credit. The reduction first applies to tax year 2021.</p> <p data-bbox="313 453 1429 531">The allocations for tax years 2021-2023 are \$6 million per taxable year, meaning the appropriation would be \$300,000 per year in fiscal years 2022-2024.</p>



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