

This Document can be made available in alternative formats upon request

State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 2277

02/27/2023 Authored by Vang; Burkel; Frederick; Nelson, N.; Tabke and others
The bill was read for the first time and referred to the Committee on Agriculture Finance and Policy
03/09/2023 Adoption of Report: Re-referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to agriculture; modifying eligibility for beginning farmer tax credit for
1.3 the sale of an agricultural asset; appropriating money for administration of the
1.4 credit; repealing the sunset of the credit; amending Minnesota Statutes 2022,
1.5 section 41B.0391, subdivisions 2, 4; repealing Minnesota Statutes 2022, section
1.6 41B.0391, subdivision 7.

1.7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.8 Section 1. Minnesota Statutes 2022, section 41B.0391, subdivision 2, is amended to read:

1.9 Subd. 2. Tax credit for owners of agricultural assets. (a) An owner of agricultural
1.10 assets may take a credit against the tax due under chapter 290 for the sale or rental of
1.11 agricultural assets to a beginning farmer in the amount allocated by the authority under
1.12 subdivision 4. An owner of agricultural assets is eligible for allocation of a credit equal to:

1.13 (1) ~~five~~ eight percent of the lesser of the sale price or the fair market value of the
1.14 agricultural asset, up to a maximum of ~~\$32,000~~ \$50,000;

1.15 (2) ten percent of the gross rental income in each of the first, second, and third years of
1.16 a rental agreement, up to a maximum of \$7,000 per year; or

1.17 (3) 15 percent of the cash equivalent of the gross rental income in each of the first,
1.18 second, and third years of a share rent agreement, up to a maximum of \$10,000 per year.

1.19 (b) A qualifying rental agreement includes cash rent of agricultural assets or a share rent
1.20 agreement. The agricultural asset must be rented at prevailing community rates as determined
1.21 by the authority.

1.22 (c) The credit may be claimed only after approval and certification by the authority, and
1.23 is limited to the amount stated on the certificate issued under subdivision 4. An owner of

2.1 agricultural assets must apply to the authority for certification and allocation of a credit, in
2.2 a form and manner prescribed by the authority.

2.3 (d) An owner of agricultural assets or beginning farmer may terminate a rental agreement,
2.4 including a share rent agreement, for reasonable cause upon approval of the authority. If a
2.5 rental agreement is terminated without the fault of the owner of agricultural assets, the tax
2.6 credits shall not be retroactively disallowed. In determining reasonable cause, the authority
2.7 must look at which party was at fault in the termination of the agreement. If the authority
2.8 determines the owner of agricultural assets did not have reasonable cause, the owner of
2.9 agricultural assets must repay all credits received as a result of the rental agreement to the
2.10 commissioner of revenue. The repayment is additional income tax for the taxable year in
2.11 which the authority makes its decision or when a final adjudication under subdivision 5,
2.12 paragraph (a), is made, whichever is later.

2.13 (e) The credit is limited to the liability for tax as computed under chapter 290 for the
2.14 taxable year. If the amount of the credit determined under this section for any taxable year
2.15 exceeds this limitation, the excess is a beginning farmer incentive credit carryover according
2.16 to section 290.06, subdivision 37.

2.17 (f) Notwithstanding subdivision 1, paragraph (c), for purposes of the credit for the sale
2.18 of an agricultural asset under paragraph (a), clause (1), the family member definitional
2.19 exclusions in subdivision 1, paragraph (c), clauses (4) and (5), do not apply.

2.20 (g) For a sale to a family member to qualify for the credit under paragraph (a), clause
2.21 (1), the sales price of the agricultural asset must equal or exceed the assessed value of the
2.22 asset as of the date of the sale. If there is no assessed value, the sales price must equal or
2.23 exceed 80 percent of the fair market value of the asset as of the date of the sale.

2.24 (h) For the purposes of this section, "sale to a family member" means a sale to a beginning
2.25 farmer in which the beginning farmer or the beginning farmer's spouse is a family member
2.26 of:

2.27 (1) the owner of the agricultural asset; or

2.28 (2) a partner, member, shareholder, or trustee of the owner of the agricultural asset.

2.29 (i) For a sale to a socially disadvantaged farmer or rancher, the credit rate under paragraph
2.30 (a), clause (1), is twelve percent rather than eight percent. For the purposes of this section,
2.31 "socially disadvantaged farmer or rancher" has the meaning given in United States Code,
2.32 title 7, section 2279(a)(5).

3.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.2 31, 2022.

3.3 Sec. 2. Minnesota Statutes 2022, section 41B.0391, subdivision 4, is amended to read:

3.4 Subd. 4. **Authority duties.** (a) The authority shall:

3.5 (1) approve and certify or recertify beginning farmers as eligible for the program under
3.6 this section;

3.7 (2) approve and certify or recertify owners of agricultural assets as eligible for the tax
3.8 credit under subdivision 2 subject to the allocation limits in paragraph (c);

3.9 (3) provide necessary and reasonable assistance and support to beginning farmers for
3.10 qualification and participation in financial management programs approved by the authority;

3.11 (4) refer beginning farmers to agencies and organizations that may provide additional
3.12 pertinent information and assistance; and

3.13 (5) notwithstanding section 41B.211, the Rural Finance Authority must share information
3.14 with the commissioner of revenue to the extent necessary to administer provisions under
3.15 this subdivision and section 290.06, subdivisions 37 and 38. The Rural Finance Authority
3.16 must annually notify the commissioner of revenue of approval and certification or
3.17 recertification of beginning farmers and owners of agricultural assets under this section.
3.18 For credits under subdivision 2, the notification must include the amount of credit approved
3.19 by the authority and stated on the credit certificate.

3.20 (b) The certification of a beginning farmer or an owner of agricultural assets under this
3.21 section is valid for the year of the certification and the two following years, after which
3.22 time the beginning farmer or owner of agricultural assets must apply to the authority for
3.23 recertification.

3.24 (c) For credits for owners of agricultural assets allowed under subdivision 2, the authority
3.25 must not allocate more than ~~\$5,000,000 for taxable years beginning after December 31,~~
3.26 ~~2017, and before January 1, 2019, and must not allocate more than \$6,000,000 for taxable~~
3.27 ~~years beginning after December 31, 2018~~ \$5,700,000 for each taxable year. The authority
3.28 must allocate credits on a first-come, first-served basis beginning on January 1 of each year,
3.29 except that recertifications for the second and third years of credits under subdivision 2,
3.30 paragraph (a), clauses (1) and (2), have first priority. Any amount authorized but not allocated
3.31 in any taxable year does not cancel and is added to the allocation for the next taxable year.

4.1 (d) Beginning July 1, 2023, \$300,000 is annually appropriated from the general fund to
4.2 the Rural Finance Authority to develop an online application system and administer the
4.3 credits under this section.

4.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.5 31, 2022.

4.6 Sec. 3. **REPEALER.**

4.7 Minnesota Statutes 2022, section 41B.0391, subdivision 7, is repealed.

4.8 **EFFECTIVE DATE.** This section is effective the day following final enactment.

APPENDIX
Repealed Minnesota Statutes: 23-02938

41B.0391 BEGINNING FARMER PROGRAM; TAX CREDITS.

Subd. 7. **Sunset.** This section expires for taxable years beginning after December 31, 2023.