

**Subject** Beginning Farmer Tax Credit

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## Overview

This bill would modify and make permanent state beginning farmer income tax credits. Under current law, eligibility for these credits will expire for tax years that begin after calendar year 2023.

H.F. 2277 would also increase the credit amount for eligible sales of agricultural assets (farmland, machinery, etc.) to 12 percent for sales to socially disadvantaged farmers and eight percent for sales to other beginning farmers. In addition, the bill would: increase the maximum credit amount to \$50,000 for eligible sales; expand eligibility to include the sale of assets between family members; and appropriate \$300,000 to the Rural Finance Authority (RFA) to develop an online application system and administer the beginning farmer tax credit program.

In 2017, the legislature established state income tax credits for (1) those who sell or rent agricultural assets to eligible beginning farmers, and (2) eligible beginning farmers who pay to participate in RFA-approved financial management programs. The legislature limited the total state cost for credits claimed by those who sell or rent to eligible beginning farmers to no more than \$6 million per year. H.F. 2277 would lower this cap to \$5.7 million per year.

## Summary

Section	Description
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<b>1</b>	<b>Tax credit for owners of agricultural assets.</b>
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Increases the maximum state income tax credit for owners of agricultural assets who sell the asset to a qualifying beginning farmer. Increases the credit from 5 to 8 percent of the sale price or fair market value of the asset, up to a maximum credit of \$50,000 (the maximum is \$32,000 under current law). If the beginning farmer is a socially disadvantaged farmer, the credit is 12 percent. For purposes of this bill,

Section	Description
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“socially disadvantaged farmer” means a farmer who is a member of a group subjected to racial or ethnic prejudice without regard to their individual qualities.

Under current law, the sale of agricultural assets from one family member to another is not eligible for beginning farmer income tax credits. This section allows sales between family members to qualify, subject to certain conditions: the sales price must be no less than the assessed value, or if no assessed value exists, the sales price must be at least 80 percent of the fair market value.

Effective date: This section would take effect for taxable years beginning after calendar year 2022.

**2 Authority duties.**

Lowers the maximum total amount the RFA may award each year for beginning farmer tax credits to \$5.7 million. Appropriates \$300,000 per year to the RFA to develop an online application system and administer beginning farmer tax credits.

Effective date: This section would take effect for taxable years beginning after calendar year 2022.

**3 Repealer.**

Makes the beginning farmer tax credits permanent by repealing the sunset date.



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