

HOUSE RESEARCH

Bill Summary

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Subject: Tax credits for beginning farmers

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Overview

This bill expands on the Rural Finance Authority's (RFA) beginning farmer program. It authorizes credits against state income and/or franchise tax liability for: (a) persons who rent agricultural land to a qualified beginning farmer or livestock producer , and (b) a qualified beginning farmer or livestock producer who takes an approved farm management course. Both credits are available for tax years beginning after December 31, 2006.

Section

1 Beginning farmer program; tax credits.

Subd . 1. Definitions. Defines several terms used in the bill. Defines "beginning farmer or livestock producer" as a resident of Minnesota who:

- . . is seeking to enter or has entered farming within the last seven years;
- . . intends to farm on land in Minnesota;
- . . is not related to the current owner of the agricultural land that the beginning farmer or livestock producer intends to rent; and
- . . meets several other eligibility requirements (e.g., net worth, farming acumen, participation in a farm management program.)

Subd. 2. Tax credit for owners of agricultural land. Grants an income/franchise tax credit to a person who rents agricultural land to a beginning farmer or livestock

Section

producer. Restricts the credit only to agricultural land rented under an agreement that takes effect after December 31, 2006. Specifies credit amounts and components of a qualifying rental arrangement . Allows a credit carryover.

Subd. 3. Beginning farmer management tax credit. Grants an income/franchise tax credit to a beginning farmer or livestock producer who completes an approved farm management program. The credit is equal to the lesser of actual costs incurred or \$500. Allows a credit carryover.

Subd. 4. Authority's duties. Specifies the RFA's duties in carrying out this program.

Effective date. This section effective for taxable years beginning after 12/31/06.

- 2** **Beginning farmer incentive credit.** Amends the income/franchise tax code to add a non-refundable credit for renting agricultural land to a beginning farmer or livestock producer . Requires approval and certification by the RFA. Specifies that the credit may carryover for 15 taxable years.

Effective date. This section effective for taxable years beginning after 12/31/06.

- 3** **Beginning farmer management credit.** Amends the income/franchise tax code to add a non-refundable credit for a beginning farmer or livestock producer who participates in an approved farm management program. Requires approval and certification by the RFA. Specifies that the credit may carryover for 3 taxable years.

Effective date. This section effective for taxable years beginning after 12/31/06.