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.

The A1 amendment clarifies that the credit applies only to land first rented to a beginning farmer in 2007 or a subsequent year .

Section

1 Beginning farmer program; tax credits.

Subdivision 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 financial 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 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.

- 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.

 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 financial 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.