HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 651 **DATE:** March 9, 2007

Version: As introduced

Authors: Juhnke and others

Subject: Family Agricultural Revitalization Zones (FARMZ)

Analyst: Joel Michael, 651-296-5057
Nina Manzi, 651-296-5204

Overview

This bill allows for the creation of tax incentive zones for the development of on-farm processing facilities. Agricultural processing facilities in these zones qualify for the same tax incentives as under the JOBZ program.

<u>**Section**</u>

1 **Qualified farm.** Defines a qualified farm as a person engaged in farming who invests in an agricultural processing facility that meets investment goals (equal to 10 percent of previous year's gross revenue) and performance goals (increases on-farm employment, including family members, by 25 percent). The person operating the qualified farm must enter into a written agreement with the commissioner of the Department of Employment and Economic Development (DEED). This agreement must agree to recapture of tax benefits, if the project does not meet the pledged performance goals.

2 **Family agricultural revitalization zones.** Allows the commissioner of DEED to designate one or more family agricultural revitalization zones for on-farm agricultural processing facility projects. A designated zone is limited to the portion of a farm that consists of the agricultural processing facility. These projects (i.e., the agricultural processing facility) qualify for the tax incentives under the JOBZ program:

- Property tax exemption
- Sales tax exemptions for purchases by the business (including vehicles)

Section

- Corporate franchise or individual income tax exemption on the business income and capital gains and rents
- Jobs credit. This is a refundable credit equal to seven percent of the increase in payroll since designation of the zone for jobs paying more than $30,000 per year. (The $30,000 is adjusted annually for inflation.)