

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 1074  
**Version:** As introduced

**DATE:** March 3, 2015

**Authors:** Marquart and others

**Subject:** Agriculture

**Analyst:** Colbey Sullivan

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: [www.house.mn/hrd/](http://www.house.mn/hrd/).

### Overview

This bill establishes income tax credits for beginning farmers and persons who sell or rent agricultural assets to beginning farmers. It extends the Agricultural Growth, Research, and Investment (AGRI) program for ten years and dedicates a portion of AGRI spending each year to need-based Farm Business Management tuition scholarships. The bill also creates a new matched savings account program for beginning farmers and provides supplemental funding of the Farm Business Management Program.

#### Section

- 1 **Activities authorized.** Designates \$500,000 of AGRI spending each fiscal year for need-based Farm Business Management tuition scholarships.
- 2 **Sunset.** Extends AGRI for ten years.
- 3 **Beginning farmer tax credit program; administration.** Establishes a new income tax credit for owners of agricultural assets who rent or sell them to beginning farmers, and for beginning farmers who take qualifying financial management courses.

**Subdivision. 1. Definitions.** Defines key terms, including “agricultural asset,” “beginning farmer,” and “farming.” The definition of farming, as provided under Rural Finance Authority (RFA) rule, is “the cultivation or use of land or land improvements and personal property for the production of agricultural crops, vegetables, fruit, or other horticultural crops, forest products, bees and apiary products, livestock, dairy animals, dairy products, poultry or poultry products, fur-bearing animals, aquaculture, hydroponics, exotic species of plants or animals, or other agriculturally related

## Section

products....[including]....A. the use of wetlands, pasture, forest land, wildlife, and homestead and other real property associated with the agricultural use of land; and B. the practices and facilities needed to conserve soil and water, protect human and animal health, have a safe and efficient operation, and meet local, state, and federal laws and regulations relating to the operation of a farm. (Minnesota Rules, part 1650.0021, subd. 2).

**Subd. 2. Tax credits for owners of agricultural assets.** Grants an income/corporate franchise tax credit to a person who sells or rents agricultural assets to a beginning farmer. The credit equals

- ▶ Five percent of the sale price of agricultural assets sold to the beginning farmer;
- ▶ Ten percent of the gross rental income in the first three years of a cash rental agreement with the beginning farmer; and
- ▶ Fifteen percent of the cash equivalent in the first three years of a share rent agreement with the beginning farmer.

Requires the RFA to approve and certify credits before they can be claimed, and allows credit amounts in excess of tax to be carried over to future tax years.

**Subd. 3. Beginning farmer management tax credit.** Grants an income/franchise tax credit to a beginning farmer who participates in an approved financial management program. The credit is equal to the greater of program costs paid or \$700, for up to three years of program participation. Allows credit amounts in excess of tax to be carried over to future tax years.

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

- ▶ Approve and certify beginning farmers
- ▶ Approve and certify owners of agricultural assets as eligible for the tax credit in subdivision 2
- ▶ Help beginning farmers qualify for and participate in approved financial management programs
- ▶ Refer beginning farmers to organizations that may provide additional assistance

**Effective date:** The tax credits are available beginning in taxable year 2015.

**4 Beginning farmer incentive credit.** Allows a nonrefundable credit against the individual income and corporate franchise tax for taxpayers who sell or rent assets to beginning farmers. Requires RFA approval and certification. Credit amounts in excess of liability may be carried-over for 15 tax years.

**5 Beginning farmer management credit.** Allows a nonrefundable credit against the individual income and corporate franchise tax for beginning farmers who participate in an approved financial management program. Requires RFA approval and certification. Credit amounts in excess of liability may be carried-over for three tax years.

## **Section**

- 6 Appropriation; beginning farmer individual development account matching grants.** Appropriates \$200,000 to the commissioner of human services for grants to community action agencies and other fiduciary organizations under the Family Assets for Independence in Minnesota (FAIM) program. This appropriation must be matched by a like amount of federal funds. The fiduciary organizations would establish a new matched-savings individual development account program for beginning farmers. Participating farmers would receive a 1:1 match on their savings of up to \$3,500 over two years. Permissible uses of the matching funds would be the purchase of agricultural land, equipment, animals, or supplies.
- 7 Appropriation; farm business management supplement.** Appropriates \$4.8 million from the general fund to the commissioner of agriculture for grants to the Minnesota State Colleges and Universities (MnSCU) system for additional Farm Business Management programming. As a condition of receiving a grant, MnSCU must certify that it will maintain total funding for Farm Business Management at no less than state fiscal year 2015 levels and that the grant will supplement, not supplant, existing program resources. MnSCU would be required to allocate a portion of grant funding for services to beginning farmers, urban farmers, recent immigrant farmers, and farmers who are members of a protected group, as defined as “females, persons with disabilities, and members of the following minorities: Black, Hispanic, Asian or Pacific Islander, and American Indian or Alaskan native” (Minn. Stat. § 43A.02, subd. 33).