

# HOUSE RESEARCH

## Bill Summary

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### Overview

Expands on the Rural Finance Authority's (RFA) beginning farmer program. It authorizes credits against state individual income and/or corporate franchise tax for (a) persons who sell or rent farm assets to qualified beginning farmers, and (b) qualified beginning farmers who take an approved financial management course.

#### Section

##### **1 Beginning farmer program; tax credits.**

**Subd. 1. Definitions.** Defines terms used in the bill.

“Beginning farmer or livestock producer” is a resident of Minnesota who:

- ▶ is seeking to enter or has entered farming within the last two years;
- ▶ intends to farm on land in Minnesota;
- ▶ is not related to the current owner of the agricultural assets that the beginning farmer intends to purchase or rent; and

“Agricultural assets” includes:

- ▶ land,
- ▶ livestock,
- ▶ production facilities and buildings, and
- ▶ machinery.

## Section

**Subd. 2. Tax credit for owners of agricultural assets.** Grants an income/franchise tax credit to a person who sells or rents agricultural assets to a beginning farmer or livestock producer. 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 or livestock producer who participates in an approved financial management program. The credit is equal to the greater of program costs paid or \$500, 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 duties.** Specifies the RFA's duties in carrying out this program:

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

**2 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 approval and certification by the RFA. Credit amounts in excess of liability may be carried-over for 15 tax years.

**3 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 approval and certification by the RFA. Credit amounts in excess of liability may be carried-over for three tax years.

**4 Effective date.** Effective beginning in tax year 2015.