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Overview

This bill authorizes credits against state individual income and/or corporate franchise tax for (a) persons who sell or rent farm assets to beginning farmers, and (b) beginning farmers who take an approved financial management course. Effective beginning in tax year 2017. The Rural Finance Authority (RFA) would certify eligible sellers and beginning farmers and assist participating beginning farmers.

Section

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

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

“Beginning farmer” is a resident of Minnesota who:

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

“Agricultural assets” includes the following items if used for farming in Minnesota:

- ▶ land;
- ▶ livestock;
- ▶ buildings; and

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- ▶ machinery.

“Farming” means active use of real and personal property for production of farm products.

“Farm product” means plants and animals useful to humans, including but not limited to various items.

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. 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
- ▶ 15 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.

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 program costs paid by the farmer, for up to three years of program participation.

Subd. 4. Authority duties. Specifies the RFA’s duties in carrying out this program, which include:

- ▶ approving and certifying beginning farmers;
- ▶ approving and certifying owners of agricultural assets as eligible for the tax credit in subdivision 2;
- ▶ helping beginning farmers to qualify for and participate in approved financial management programs; and
- ▶ referring 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. Effective beginning in tax year 2017.

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. Effective beginning in tax year 2017.