

Subject Beginning farmer tax credits

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Summary

This bill would expand eligibility for beginning farmer income tax credits to include beginning farmers who have structured their business as a Limited Liability Company (LLC).

Under current law, among other criteria, an eligible beginning farmer must be an individual. A beginning farmer who has organized his or her business as a corporation, partnership, or similar business entity is not eligible, and therefore 1) a person who sells or rents land, machinery, or other eligible assets to the farmer is not eligible for an income tax credit, and 2) the farmer is not eligible for an income tax credit for qualifying education expenditures.

H.F. 3713 would expand eligibility to include beginning farmer LLCs, and by extension those who sell or rent agricultural assets to a beginning farmer LLC.

Because the state's Corporate Farm Law (Minn. Stat. § 500.24) generally prohibits LLC's from owning or operating farmland in this state, the bill specifies that the beginning farmer's LLC must satisfy one of the exceptions provided in the Corporate Farm Law. That is, the beginning farmer's LLC must meet the Corporate Farm Law's definitions of a family farm LLC or authorized farm LLC, or the beginning farmer's LLC must have received a special Corporate Farm Law exemption from the Minnesota Department of Agriculture.