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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 1546

02/21/2019 Authored by Lippert, Poppe, Brand, Vang and Wazlawik
The bill was read for the first time and referred to the Agriculture and Food Finance and Policy Division
03/20/2019 Adoption of Report: Amended and re-referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to agriculture; modifying eligibility for beginning farmer tax credits;
1.3 allocating tax credits to beginning farmers belonging to a protected group; amending
1.4 Minnesota Statutes 2018, section 41B.0391, subdivisions 1, 4.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2018, section 41B.0391, subdivision 1, is amended to read:

1.7 Subdivision 1. Definitions. (a) For purposes of this section, the following terms have
1.8 the meanings given.

1.9 (b) "Agricultural assets" means agricultural land, livestock, facilities, buildings, and
1.10 machinery used for farming in Minnesota.

1.11 (c) "Beginning farmer" means an individual who:

1.12 (1) is a resident of Minnesota;

1.13 (2) is seeking entry, or has entered within the last ten years, into farming;

1.14 (3) intends to farm land located within the state borders of Minnesota;

1.15 (4) is not and whose spouse is not a family member of the owner of the agricultural
1.16 assets from whom the beginning farmer is seeking to purchase or rent agricultural assets;

1.17 (5) is not and whose spouse is not a family member of a partner, member, shareholder,
1.18 or trustee of the owner of agricultural assets from whom the beginning farmer is seeking to
1.19 purchase or rent agricultural assets; and

1.20 (6) meets the following eligibility requirements as determined by the authority:

2.1 (i) has a net worth that does not exceed the limit provided under section 41B.03,  
2.2 subdivision 3, paragraph (a), clause (2);

2.3 (ii) provides the majority of the day-to-day physical labor and management of the farm;

2.4 (iii) has, by the judgment of the authority, adequate farming experience or demonstrates  
2.5 knowledge in the type of farming for which the beginning farmer seeks assistance from the  
2.6 authority;

2.7 ~~(iv) demonstrates to the authority a profit potential by submitting projected earnings~~  
2.8 ~~statements;~~

2.9 ~~(v)~~ (iv) asserts to the satisfaction of the authority that farming will be a significant source  
2.10 of income for the beginning farmer;

2.11 ~~(vi) participates in~~ (v) is enrolled in or has completed within ten years of the farmer's  
2.12 first year of farming a financial management program approved by the authority or the  
2.13 commissioner of agriculture;

2.14 ~~(vii)~~ (vi) agrees to notify the authority if the beginning farmer no longer meets the  
2.15 eligibility requirements within the three-year certification period, in which case the beginning  
2.16 farmer is no longer eligible for credits under this section; and

2.17 ~~(viii)~~ (vii) has other qualifications as specified by the authority.

2.18 The commissioner may waive the requirement in item (v) if the participant requests a waiver  
2.19 and has a four-year degree in an agricultural program or related field, reasonable agricultural  
2.20 job-related experience, or certification as an adult farm management instructor.

2.21 (d) "Family member" means a family member within the meaning of the Internal Revenue  
2.22 Code, section 267(c)(4).

2.23 (e) "Farm product" means plants and animals useful to humans and includes, but is not  
2.24 limited to, forage and sod crops, oilseeds, grain and feed crops, dairy and dairy products,  
2.25 poultry and poultry products, livestock, fruits, and vegetables.

2.26 (f) "Farming" means the active use, management, and operation of real and personal  
2.27 property for the production of a farm product.

2.28 (g) "Owner of agricultural assets" means an individual, trust, or pass-through entity that  
2.29 is the owner in fee of agricultural land or has legal title to any other agricultural asset. Owner  
2.30 of agricultural assets does not mean an equipment dealer, livestock dealer defined in section  
2.31 17A.03, subdivision 7, or comparable entity that is engaged in the business of selling  
2.32 agricultural assets for profit and that is not engaged in farming as its primary business

3.1 activity. An owner of agricultural assets approved and certified by the authority under  
3.2 subdivision 4 must notify the authority if the owner no longer meets the definition in this  
3.3 paragraph within the three year certification period and is then no longer eligible for credits  
3.4 under this section.

3.5 (h) "Resident" has the meaning given in section 290.01, subdivision 7.

3.6 (i) "Share rent agreement" means a rental agreement in which the principal consideration  
3.7 given to the owner of agricultural assets is a predetermined portion of the production of  
3.8 farm products produced from the rented agricultural assets and which provides for sharing  
3.9 production costs or risk of loss, or both.

3.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
3.11 31, 2018.

3.12 Sec. 2. Minnesota Statutes 2018, section 41B.0391, subdivision 4, is amended to read:

3.13 Subd. 4. **Authority duties.** (a) The authority shall:

3.14 (1) approve and certify or recertify beginning farmers as eligible for the program under  
3.15 this section;

3.16 (2) approve and certify or recertify owners of agricultural assets as eligible for the tax  
3.17 credit under subdivision 2 subject to the allocation limits in paragraph (c);

3.18 (3) provide necessary and reasonable assistance and support to beginning farmers for  
3.19 qualification and participation in financial management programs approved by the authority;

3.20 (4) refer beginning farmers to agencies and organizations that may provide additional  
3.21 pertinent information and assistance; and

3.22 (5) notwithstanding section 41B.211, the Rural Finance Authority must share information  
3.23 with the commissioner of revenue to the extent necessary to administer provisions under  
3.24 this subdivision and section 290.06, subdivisions 37 and 38. The Rural Finance Authority  
3.25 must annually notify the commissioner of revenue of approval and certification or  
3.26 recertification of beginning farmers and owners of agricultural assets under this section.

3.27 For credits under subdivision 2, the notification must include the amount of credit approved  
3.28 by the authority and stated on the credit certificate.

3.29 (b) The certification of a beginning farmer or an owner of agricultural assets under this  
3.30 section is valid for the year of the certification and the two following years, after which  
3.31 time the beginning farmer or owner of agricultural assets must apply to the authority for  
3.32 recertification.

4.1 (c) For credits for owners of agricultural assets allowed under subdivision 2, the authority  
4.2 must not allocate more than \$5,000,000 for taxable years beginning after December 31,  
4.3 2017, and before January 1, 2019, and must not allocate more than \$6,000,000 for taxable  
4.4 years beginning after December 31, 2018. The authority must allocate credits on a first-come,  
4.5 first-served basis beginning on January 1 of each year, except that recertifications for the  
4.6 second and third years of credits under subdivision 2, paragraph (a), clauses (1) and (2),  
4.7 have first priority. Any amount authorized but not allocated in any taxable year does not  
4.8 cancel and is added to the allocation for the next taxable year.

4.9 (d) Twenty percent of the credits available under this section must be allocated to  
4.10 beginning farmers who belong to a protected group as defined in section 43A.02, subdivision  
4.11 33. Any portion of a taxable year's credits that is reserved under this paragraph that is not  
4.12 allocated by September 15 of the taxable year is available for allocation to other credit  
4.13 applications beginning on October 1.

4.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
4.15 31, 2019.