

**SENATE  
STATE OF MINNESOTA  
NINETY-THIRD SESSION**

**S.F. No. 1879**

(SENATE AUTHORS: PUTNAM, Weber, Dziejdzic, Dornink and Frentz)

DATE	D-PG	OFFICIAL STATUS
02/20/2023	908	Introduction and first reading
03/06/2023		Referred to Agriculture, Broadband, and Rural Development Comm report: To pass as amended and re-refer to Taxes

1.1 A bill for an act

1.2 relating to agriculture; modifying eligibility for beginning farmer tax credit for

1.3 the sale of an agricultural asset; requiring a report; repealing the sunset of the

1.4 credit; amending Minnesota Statutes 2022, section 41B.0391, subdivisions 2, 4,

1.5 6; repealing Minnesota Statutes 2022, section 41B.0391, subdivision 7.

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

1.7 Section 1. Minnesota Statutes 2022, section 41B.0391, subdivision 2, is amended to read:

1.8 Subd. 2. **Tax credit for owners of agricultural assets.** (a) An owner of agricultural

1.9 assets may take a credit against the tax due under chapter 290 for the sale or rental of

1.10 agricultural assets to a beginning farmer in the amount allocated by the authority under

1.11 subdivision 4. An owner of agricultural assets is eligible for allocation of a credit equal to:

1.12 (1) ~~five~~ eight percent of the lesser of the sale price or the fair market value of the

1.13 agricultural asset, up to a maximum of ~~\$32,000~~ \$50,000;

1.14 (2) ten percent of the gross rental income in each of the first, second, and third years of

1.15 a rental agreement, up to a maximum of \$7,000 per year; or

1.16 (3) 15 percent of the cash equivalent of the gross rental income in each of the first,

1.17 second, and third years of a share rent agreement, up to a maximum of \$10,000 per year.

1.18 (b) A qualifying rental agreement includes cash rent of agricultural assets or a share rent

1.19 agreement. The agricultural asset must be rented at prevailing community rates as determined

1.20 by the authority.

1.21 (c) The credit may be claimed only after approval and certification by the authority, and

1.22 is limited to the amount stated on the certificate issued under subdivision 4. An owner of

2.1 agricultural assets must apply to the authority for certification and allocation of a credit, in  
2.2 a form and manner prescribed by the authority.

2.3 (d) An owner of agricultural assets or beginning farmer may terminate a rental agreement,  
2.4 including a share rent agreement, for reasonable cause upon approval of the authority. If a  
2.5 rental agreement is terminated without the fault of the owner of agricultural assets, the tax  
2.6 credits shall not be retroactively disallowed. In determining reasonable cause, the authority  
2.7 must look at which party was at fault in the termination of the agreement. If the authority  
2.8 determines the owner of agricultural assets did not have reasonable cause, the owner of  
2.9 agricultural assets must repay all credits received as a result of the rental agreement to the  
2.10 commissioner of revenue. The repayment is additional income tax for the taxable year in  
2.11 which the authority makes its decision or when a final adjudication under subdivision 5,  
2.12 paragraph (a), is made, whichever is later.

2.13 (e) The credit is limited to the liability for tax as computed under chapter 290 for the  
2.14 taxable year. If the amount of the credit determined under this section for any taxable year  
2.15 exceeds this limitation, the excess is a beginning farmer incentive credit carryover according  
2.16 to section 290.06, subdivision 37.

2.17 (f) Notwithstanding subdivision 1, paragraph (c), for purposes of the credit for the sale  
2.18 of an agricultural asset under paragraph (a), clause (1), the family member definitional  
2.19 exclusions in subdivision 1, paragraph (c), clauses (4) and (5), do not apply.

2.20 (g) For a sale to a family member to qualify for the credit under paragraph (a), clause  
2.21 (1), the sales price of the agricultural asset must equal or exceed the assessed value of the  
2.22 asset as of the date of the sale. If there is no assessed value, the sales price must equal or  
2.23 exceed 80 percent of the fair market value of the asset as of the date of the sale.

2.24 (h) For the purposes of this section, "sale to a family member" means a sale to a beginning  
2.25 farmer in which the beginning farmer or the beginning farmer's spouse is a family member  
2.26 of:

2.27 (1) the owner of the agricultural land asset; or

2.28 (2) a partner, member, shareholder, or trustee of the owner of the agricultural asset.

2.29 (i) For a sale to a socially disadvantaged farmer or rancher, the credit rate under paragraph  
2.30 (a), clause (1), is twelve percent rather than eight percent. For the purposes of this section,  
2.31 "socially disadvantaged farmer or rancher" has the meaning given in United States Code,  
2.32 title 7, section 2279(a)(5).

3.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
3.2 31, 2022.

3.3 Sec. 2. Minnesota Statutes 2022, section 41B.0391, subdivision 4, is amended to read:

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

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

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

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

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

3.13 (5) notwithstanding section 41B.211, the Rural Finance Authority must share information  
3.14 with the commissioner of revenue to the extent necessary to administer provisions under  
3.15 this subdivision and section 290.06, subdivisions 37 and 38. The Rural Finance Authority  
3.16 must annually notify the commissioner of revenue of approval and certification or  
3.17 recertification of beginning farmers and owners of agricultural assets under this section.  
3.18 For credits under subdivision 2, the notification must include the amount of credit approved  
3.19 by the authority and stated on the credit certificate.

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

3.24 (c) For credits for owners of agricultural assets allowed under subdivision 2, the authority  
3.25 must not allocate more than ~~\$5,000,000 for taxable years beginning after December 31,~~  
3.26 ~~2017, and before January 1, 2019, and must not allocate more than \$6,000,000 for taxable~~  
3.27 ~~years beginning after December 31, 2018~~ \$6,000,000 for each taxable year. The authority  
3.28 must allocate credits on a first-come, first-served basis beginning on January 1 of each year,  
3.29 except that recertifications for the second and third years of credits under subdivision 2,  
3.30 paragraph (a), clauses (1) and (2), have first priority. Any amount authorized but not allocated  
3.31 in any taxable year does not cancel and is added to the allocation for the next taxable year.

4.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
4.2 31, 2022.

4.3 Sec. 3. Minnesota Statutes 2022, section 41B.0391, subdivision 6, is amended to read:

4.4 Subd. 6. **Report to legislature.** (a) No later than February 1, ~~2022~~ 2024, the Rural  
4.5 Finance Authority, in consultation with the commissioner of revenue, must provide a report  
4.6 to the chairs and ranking minority members of the legislative committees having jurisdiction  
4.7 over agriculture, economic development, rural development, and taxes, in compliance with  
4.8 sections 3.195 and 3.197, on the beginning farmer tax credits under this section issued in  
4.9 tax years beginning after December 31, 2017, and before January 1, ~~2022~~ 2024.

4.10 (b) The report must include background information on beginning farmers in Minnesota  
4.11 and any other information the commissioner and authority find relevant to evaluating the  
4.12 effect of the credits on increasing opportunities for and the number of beginning farmers.

4.13 (c) For credits issued under subdivision 2, paragraph (a), clauses (1) to (3), the report  
4.14 must include:

4.15 (1) the number and amount of credits issued under each clause;

4.16 (2) the geographic distribution of credits issued under each clause;

4.17 (3) the type of agricultural assets for which credits were issued under clause (1);

4.18 (4) the number and geographic distribution of beginning farmers whose purchase or  
4.19 rental of assets resulted in credits for the seller or owner of the asset;

4.20 (5) the number and amount of credits disallowed under subdivision 2, paragraph (d);

4.21 (6) data on the number of beginning farmers by geographic region in calendar years  
4.22 2017 through ~~2021~~ 2023, including:

4.23 (i) the number of beginning farmers by race and ethnicity, as those terms are applied in  
4.24 the 2020 United States Census; and

4.25 (ii) to the extent available, the number of beginning farmers who are members of a  
4.26 socially disadvantaged group, as defined in United States Code, title 7, section 2279(a)(6);  
4.27 and

4.28 (7) the number and amount of credit applications that exceeded the allocation available  
4.29 in each year.

4.30 (d) For credits issued under subdivision 3, the report must include:

4.31 (1) the number and amount of credits issued;

- 5.1 (2) the geographic distribution of credits;
- 5.2 (3) a listing and description of each approved financial management program for which
- 5.3 credits were issued; and
- 5.4 (4) a description of the approval procedure for financial management programs not on
- 5.5 the list maintained by the authority, as provided in subdivision 3, paragraph (a).

5.6 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.7 Sec. 4. **REPEALER.**

5.8 Minnesota Statutes 2022, section 41B.0391, subdivision 7, is repealed.

5.9 **EFFECTIVE DATE.** This section is effective the day following final enactment.

APPENDIX  
Repealed Minnesota Statutes: S1879-1

**41B.0391 BEGINNING FARMER PROGRAM; TAX CREDITS.**

Subd. 7. **Sunset.** This section expires for taxable years beginning after December 31, 2023.