

SENATE
STATE OF MINNESOTA
EIGHTY-NINTH SESSION

S.F. No. 933

(SENATE AUTHORS: KOENEN, Dahle, Schmit and Eken)

DATE	D-PG	OFFICIAL STATUS
02/19/2015	358	Introduction and first reading
		Referred to Jobs, Agriculture and Rural Development
03/04/2015	543	Comm report: To pass and re-referred to Taxes

A bill for an act

relating to agriculture; providing an income tax credit for sales or rentals of agricultural assets to beginning farmers; providing an income tax credit for beginning farmer financial management programs; modifying the beginning farmer program administered by the Rural Finance Authority; amending Minnesota Statutes 2014, section 290.06, by adding subdivisions; proposing coding for new law in Minnesota Statutes, chapter 41B.

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

Section 1. **[41B.0391] BEGINNING FARMER PROGRAM; TAX CREDITS.**

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

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

(c) "Farm" means any tract of land over ten acres in area used for or devoted to the commercial production of farm products.

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

(e) "Farming or livestock production" means the active use, management, and operation of real and personal property for the production of a farm product.

(f) "Owner of agricultural assets" means a person who is the owner in fee of agricultural land or who has legal title to any other agricultural asset.

(g) "Beginning farmer or livestock producer" means a resident of Minnesota who:

2.1 (1) is seeking entry or has entered within the last two years into farming or livestock
2.2 production;

2.3 (2) intends to farm or raise crops or livestock on land located within the state borders
2.4 of Minnesota;

2.5 (3) is not related by blood or marriage to the owner of the agricultural assets
2.6 from whom the beginning farmer or livestock producer is seeking to purchase or rent
2.7 agricultural assets;

2.8 (4) is not related by blood or marriage to a partner, member, shareholder, or trustee
2.9 of the owner of agricultural assets from whom the beginning farmer or livestock producer
2.10 is seeking to purchase or rent agricultural assets; and

2.11 (5) meets the following eligibility requirements as determined by the authority:

2.12 (i) has a net worth of not more than \$200,000, including any holdings by a spouse
2.13 or dependent, based on fair market value;

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

2.16 (iii) has, by the judgment of the authority, adequate farming or livestock production
2.17 experience or demonstrates knowledge in the type of farming or livestock production for
2.18 which the beginning farmer seeks assistance from the authority;

2.19 (iv) demonstrates to the authority a profit potential by submitting projected earnings
2.20 statements;

2.21 (v) asserts to the satisfaction of the authority that farming or livestock production
2.22 will be a significant source of income for the beginning farmer or livestock producer;

2.23 (vi) participates in a financial management program approved by the authority
2.24 or the commissioner of agriculture; and

2.25 (vii) has other such qualifications as specified by the authority.

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

2.30 Subd. 2. **Tax credit for owners of agricultural assets.** (a) An owner of agricultural
2.31 assets may take a credit against the tax due under chapter 290 for the sale or rental of
2.32 agricultural assets to a beginning farmer or livestock producer. An owner of agricultural
2.33 assets may take a credit equal to:

2.34 (1) five percent of the sale price of the agricultural asset;

2.35 (2) ten percent of the gross rental income in each of the first, second, and third
2.36 years of a rental agreement; or

3.1 (3) 15 percent of the cash equivalent of the gross rental income in each of the first,
3.2 second, and third years of a share rent agreement.

3.3 (b) A qualifying rental agreement includes cash rent of agricultural assets or a
3.4 share rent agreement. The agricultural asset must be rented at prevailing community
3.5 rates as determined by the authority. The credit may be claimed only after approval and
3.6 certification by the authority.

3.7 (c) An owner of agricultural assets or beginning farmer or livestock producer may
3.8 terminate a rental agreement, including a share rent agreement, for reasonable cause upon
3.9 approval of the authority. If a rental agreement is terminated without the fault of the owner
3.10 of agricultural assets, the tax credits shall not be retroactively disallowed. If an agreement
3.11 is terminated with fault by the owner of agricultural assets, any prior tax credits claimed
3.12 under this subdivision by the owner of agricultural assets shall be disallowed and must
3.13 be repaid to the commissioner of revenue.

3.14 (d) The credit is limited to the liability for tax as computed under chapter 290 for
3.15 the taxable year. If the amount of the credit determined under this section for any taxable
3.16 year exceeds this limitation, the excess is a beginning farmer incentive credit carryover
3.17 according to section 290.06, subdivision 37.

3.18 Subd. 3. **Beginning farmer management tax credit.** (a) A beginning farmer or
3.19 livestock producer may take a credit against the tax due under chapter 290 for participating
3.20 in a financial management program approved by the authority. The credit is equal to 100
3.21 percent of the cost of participating in the program or \$500, whichever is less. The credit
3.22 is available for up to three years while the farmer is in the program. The authority shall
3.23 maintain a list of approved financial management programs and establish a procedure for
3.24 approving equivalent programs that are not on the list.

3.25 (b) The credit is limited to the liability for tax as computed under chapter 290 for
3.26 the taxable year. If the amount of the credit determined under this section for any taxable
3.27 year exceeds this limitation, the excess is a beginning farmer management credit carryover
3.28 according to section 290.06, subdivision 38.

3.29 Subd. 4. **Authority duties.** The authority shall:

3.30 (1) approve and certify beginning farmers and livestock producers as eligible for
3.31 the program under this section;

3.32 (2) approve and certify owners of agricultural assets as eligible for the tax credit
3.33 under subdivision 2;

3.34 (3) provide necessary and reasonable assistance and support to beginning farmers
3.35 and livestock producers for qualification and participation in financial management
3.36 programs approved by the authority; and

4.1 (4) refer beginning farmers and livestock producers to agencies and organizations
4.2 that may provide additional pertinent information and assistance.

4.3 Sec. 2. Minnesota Statutes 2014, section 290.06, is amended by adding a subdivision
4.4 to read:

4.5 Subd. 37. **Beginning farmer incentive credit.** (a) A beginning farmer incentive
4.6 credit is allowed against the tax due under this chapter for the sale or rental of agricultural
4.7 assets to a beginning farmer or livestock producer according to section 41B.0391,
4.8 subdivision 2.

4.9 (b) The credit may be claimed only after approval and certification by the Rural
4.10 Finance Authority according to section 41B.0391.

4.11 (c) The credit is limited to the liability for tax, as computed under this chapter, for the
4.12 taxable year. If the amount of the credit determined under this subdivision for any taxable
4.13 year exceeds this limitation, the excess is a beginning farmer incentive credit carryover to
4.14 each of the 15 succeeding taxable years. The entire amount of the excess unused credit
4.15 for the taxable year is carried first to the earliest of the taxable years to which the credit
4.16 may be carried and then to each successive year to which the credit may be carried. The
4.17 amount of the unused credit which may be added under this paragraph must not exceed the
4.18 taxpayer's liability for tax, less the beginning farmer incentive credit for the taxable year.

4.19 Sec. 3. Minnesota Statutes 2014, section 290.06, is amended by adding a subdivision
4.20 to read:

4.21 Subd. 38. **Beginning farmer management credit.** (a) A taxpayer who is a
4.22 beginning farmer or livestock producer may take a credit against the tax due under
4.23 this chapter for participation in a financial management program according to section
4.24 41B.0391, subdivision 3.

4.25 (b) The credit may be claimed only after approval and certification by the Rural
4.26 Finance Authority according to section 41B.0391.

4.27 (c) The credit is limited to the liability for tax, as computed under this chapter, for
4.28 the taxable year. If the amount of the credit determined under this subdivision for any
4.29 taxable year exceeds this limitation, the excess is a beginning farmer management credit
4.30 carryover to each of the three succeeding taxable years. The entire amount of the excess
4.31 unused credit for the taxable year is carried first to the earliest of the taxable years to
4.32 which the credit may be carried and then to each successive year to which the credit may
4.33 be carried. The amount of the unused credit which may be added under this paragraph

5.1 must not exceed the taxpayer's liability for tax, less the beginning farmer management
5.2 credit for the taxable year.

5.3 Sec. 4. **EFFECTIVE DATE.**

5.4 Sections 1 to 3 are effective for taxable years beginning after December 31, 2014.