

FIRST REGULAR SESSION

# SENATE BILL NO. 177

98TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR MUNZLINGER.

Pre-filed December 30, 2014, and ordered printed.

ADRIANE D. CROUSE, Secretary.

0197S.03I

## AN ACT

To amend chapters 135, 143, and 262, RSMo, by adding thereto six new sections relating to programs for beginning farmers.

*Be it enacted by the General Assembly of the State of Missouri, as follows:*

Section A. Chapters 135, 143, and 262, RSMo, are amended by adding  
2 thereto six new sections, to be known as sections 135.1000, 135.1005, 135.1010,  
3 135.1015, 143.2005, and 262.599, to read as follows:

**135.1000. As used in sections 135.1000 to 135.1015, the following  
2 terms mean:**

3 **(1) "Agricultural assets", agricultural land, depreciable  
4 agricultural property, crops, or livestock;**

5 **(2) "Agricultural land", land suitable for use in farming;**

6 **(3) "Beginning farmer", an individual, partnership, family farm  
7 corporation, or limited liability company that:**

8 **(a) Has not opened or operated a farm or ranch for more than  
9 ten years;**

10 **(b) Does not own a farm or ranch greater than thirty percent of  
11 the average size farm in the county as determined by the most current  
12 Census for Agriculture;**

13 **(c) Materially participates in the farming or ranching operation;  
14 and**

15 **(d) Is a resident of this state.**

16 **(4) "Department", the department of agriculture;**

17 **(5) "Farming", the same as defined in section 350.010;**

18 **(6) "Livestock", the same as defined in section 265.300;**

19 **(7) "Material participation", a beginning farmer involved in an  
20 agricultural production operation on a regular, continuous, and**

21 substantial basis;

22 (8) "Production items", tools, machinery, or equipment  
23 principally used to produce agricultural crops or livestock.

135.1005. 1. For all tax years beginning on or after January 1,  
2 2016, an eligible taxpayer that is a Missouri resident shall be allowed  
3 a credit against tax otherwise due under chapter 143, excluding  
4 withholding tax imposed by sections 143.191 to 143.265, to facilitate the  
5 transfer of agricultural assets from the taxpayer to a beginning farmer.

6 2. To qualify for the agricultural assets transfer agreement tax  
7 credit authorized by this section, a taxpayer shall meet the following  
8 criteria:

9 (1) Be a person who may acquire or otherwise obtain or lease  
10 agricultural land in this state;

11 (2) Execute an agricultural assets transfer agreement with a  
12 beginning farmer; and

13 (3) Agree to repay the amount of any tax credits received under  
14 this section if the leased agricultural land does not remain in  
15 production for at least ten years; and

16 (4) Any other criteria required by the department under a  
17 promulgated rule.

18 3. For partnerships, limited liability companies, S corporations,  
19 estates, or trusts entitled to a tax credit and electing to have pass  
20 through taxation, the tax credit shall be split amongst the individuals  
21 entitled to earnings from the entity in proportion to the amount of  
22 earnings to which they are entitled.

23 4. The agricultural assets transfer agreement required by this  
24 section shall provide for the lease of agricultural land located in this  
25 state, including any improvements, and may provide for the rental of  
26 agricultural equipment. The agreement shall:

27 (1) Include a lease made on a cash basis or on a commodity share  
28 basis which includes a share of the crops or livestock produced on the  
29 agricultural land;

30 (2) Be in writing;

31 (3) Be for at least ten years; and

32 (4) Not be assignable or transferable and the land subject to the  
33 agreement cannot be subleased.

34 5. For an agreement that includes a lease on a cash basis, the

35 taxpayer may claim a credit equal to seven percent of the gross amount  
36 paid to the taxpayer under the agreement for each tax year that the tax  
37 credit is allowed.

38         6. For an agreement that includes a lease on a commodity share  
39 basis, the taxpayer may claim a tax credit equal to seventeen percent  
40 of the amount paid to the taxpayer from crops or livestock sold under  
41 the agreement in which the payment is exclusively made from the sale  
42 of crops or livestock.

43         7. A tax credit in excess of the taxpayer's liability shall not be  
44 refunded or carried back to any previous tax year but may be carried  
45 forward for up to five subsequent tax years. The tax credit shall not be  
46 transferable to any other person other than the taxpayer's estate or  
47 trust upon the taxpayer's death.

48         8. A taxpayer shall not claim a tax credit under this section  
49 unless a tax credit certificate issued by the department is attached to  
50 the taxpayer's tax return for the tax year for which the tax credit is  
51 claimed. The department shall review and approve an application for  
52 a tax credit as provided by rules promulgated by the department. The  
53 application shall include a copy of the agricultural assets transfer  
54 agreement. The department may approve an application and issue a  
55 tax credit certificate to a taxpayer who has previously been allowed a  
56 tax credit under this section. The department may require that the  
57 parties to an agricultural assets transfer agreement meet the same  
58 qualification as required for an original application. The department  
59 shall not approve an application or issue a tax credit certificate to a  
60 tax payer for an amount in excess of fifty thousand dollars.

61         9. A taxpayer or beginning farmer may terminate an agricultural  
62 assets transfer agreement as provided in the agreement, or by law. The  
63 taxpayer shall immediately notify the department of the termination.  
64 If the department determines that the taxpayer is not at fault for the  
65 termination, the department shall not issue a tax credit certificate to  
66 the taxpayer for a subsequent tax year based on the approved  
67 application. Any prior tax credit is allowed as provided in this  
68 section. The taxpayer may apply for and be issued another tax credit  
69 certificate for the same agricultural assets as provided in this section  
70 for any remaining tax year for which a certificate was not issued. If  
71 the department determines that the taxpayer is at fault for the

72 termination, any prior tax credit allowed under this section is  
73 disallowed. The amount of the tax credit shall be immediately due and  
74 payable to the department of revenue. If a taxpayer does not  
75 immediately notify the department of the termination, the taxpayer  
76 shall be conclusively deemed at fault for the termination.

135.1010. 1. For all tax years beginning on or after January 1,  
2 2016, an eligible taxpayer that is a Missouri resident shall be allowed  
3 a credit against tax otherwise due under chapter 143, excluding  
4 withholding tax imposed by sections 143.191 to 143.265, to encourage  
5 taxpayers who are considering custom farming agricultural land  
6 located in this state to negotiate with beginning farmers.

7 2. To qualify for the custom farming contract tax credit  
8 authorized by this section, a taxpayer shall be a person who may  
9 acquire or otherwise obtain or lease agricultural land in this state and  
10 meet any other qualification established by rules promulgated by the  
11 department.

12 3. A custom farming contract tax credit is allowed only for the  
13 amount paid by the taxpayer to a qualified beginning farmer under a  
14 custom farming contract as provided in rules promulgated by the  
15 department. The contract shall provide for the production of crops  
16 located on agricultural land or the production of livestock principally  
17 located on agricultural land.

18 4. The custom farming contract shall provide that the taxpayer  
19 pay the beginning farmer on a cash basis. The contract shall be in  
20 writing and for a term of not more than twelve months. The total cash  
21 payment shall equal at least one thousand dollars.

22 5. The taxpayer shall make all management decisions  
23 substantially contributing to or affecting the production of crops  
24 located on the agricultural land or the production of livestock  
25 principally located on the agricultural land. However, nothing in this  
26 section prohibits a qualified beginning farmer from regularly or  
27 frequently taking part in making day-to-day operational decisions  
28 affecting production. The beginning farmer shall provide for all of the  
29 following:

30 (1) Production items principally used to produce crops located  
31 on the agricultural land or to produce livestock principally located on  
32 the agricultural land; and

33           **(2) Labor principally used to produce crops located on the**  
34 **agricultural land or to produce livestock principally located on the**  
35 **agricultural land. The beginning farmer shall personally provide such**  
36 **labor on a regular, continuous, and substantial basis.**

37           **6. A custom farming contract credit is not allowed if the taxpayer**  
38 **and qualified beginning farmer are related as any of the following:**

39           **(1) Persons who hold a legal or equitable interest in the same**  
40 **agricultural land, including as individuals or as general partners,**  
41 **limited partners, shareholders, or members in the same business entity;**

42           **(2) Family members related as spouse, child, stepchild, brother,**  
43 **or sister; or**

44           **(3) Partners in the same partnership which holds agricultural**  
45 **land, or shareholders in the same family farm corporation, or members**  
46 **in the same limited liability company.**

47           **7. A custom farming contract tax credit shall be calculated based**  
48 **on the gross amount paid to the beginning farmer under the custom**  
49 **farming contract. The taxpayer may claim a tax credit equal to seven**  
50 **percent of the gross amount paid to the beginning farmer under the**  
51 **contract for each tax year that the tax credit is allowed.**

52           **8. A tax credit in excess of the taxpayer's liability shall not be**  
53 **refunded or carried back to any previous tax year but may be carried**  
54 **forward up to five subsequent tax years. The tax credit shall not be**  
55 **transferable to any other person other than the taxpayer's estate or**  
56 **trust upon the taxpayer's death.**

57           **9. A taxpayer shall not claim a tax credit under this section**  
58 **unless a tax credit certificate issued by the department is attached to**  
59 **the taxpayer's tax return of the tax year for which the tax credit is**  
60 **claimed. The department shall review and approve an application for**  
61 **a tax credit as provided by rules promulgated by the department. The**  
62 **application shall include a copy of the custom farming contract. The**  
63 **department may approve an application and issue a tax credit**  
64 **certificate to a taxpayer who has previously been allowed a tax credit**  
65 **under this section. The department may require that the parties to the**  
66 **contract provide additional information as determined relevant by the**  
67 **department. The department shall review an application for a tax**  
68 **credit certificate which includes the renewal of a contract to determine**  
69 **that the parties to the renewed contract meet the same qualifications**

70 as required for an original application. The department shall not  
71 approve an application or issue a tax credit certificate to a taxpayer for  
72 an amount in excess of fifty thousand dollars.

135.1015. 1. The total amount of tax credits that may be issued  
2 under sections 135.1005 to 135.1010 shall not in the aggregate exceed  
3 twelve million dollars in any fiscal year. Of the aggregate amount,  
4 eight million dollars shall be allocated for the agricultural assets  
5 transfer tax credits established in section 135.1005 and four million  
6 dollars shall be allocated for the custom farming contract tax credit  
7 established in section 135.1010. The department may adjust the  
8 allocation amounts to ensure maximum utilization of the tax credits but  
9 in no event shall more than twelve million dollars in the aggregate be  
10 issued under both programs.

11 2. The department of agriculture shall promulgate rules to  
12 implement the provisions of sections 135.1000 to 135.1015. Any rule or  
13 portion of a rule, as that term is defined in section 536.010, that is  
14 created under the authority delegated in this section shall become  
15 effective only if it complies with and is subject to all of the provisions  
16 of chapter 536 and, if applicable, section 536.028. This section and  
17 chapter 536 are nonseverable and if any of the powers vested with the  
18 general assembly pursuant to chapter 536 to review, to delay the  
19 effective date, or to disapprove and annul a rule are subsequently held  
20 unconstitutional, then the grant of rulemaking authority and any rule  
21 proposed or adopted after August 28, 2015, shall be invalid and void.

143.2005. 1. In addition to all other modifications allowed by  
2 law, there shall be subtracted from the federal adjusted gross income  
3 of an individual taxpayer fifty percent of the income realized from the  
4 sale of land classified as agricultural and horticultural property sold  
5 to a beginning farmer, to the extent that such amount is included in  
6 federal adjusted gross income when determining such individual's  
7 Missouri adjusted gross income.

8 2. If within ten years of being sold, the property which allowed  
9 the taxpayer to receive the deduction in subsection 1 of this section  
10 ceases to be classified as agricultural and horticultural property, the  
11 taxpayer shall include the amount of the deduction previously received  
12 as income in the year such property changes classifications.

13 3. As used in this section, the following terms shall mean:

14           (1) "Agricultural and horticultural property", the same as defined  
15 in section 137.016;

16           (2) "Beginning farmer", the same as defined in section 135.1000.

          262.599. 1. A beginning farmer center is established as a part of  
2 the University of Missouri extension program in agriculture to assist  
3 individuals in beginning farming operations. The center shall also  
4 assist in facilitating the transition of farming operations from  
5 established farmers to beginning farmers, including by matching  
6 purchasers and sellers of agricultural land, creating and maintaining  
7 an information database inventorying land and facilities available for  
8 acquisition, and developing models to increase the number of family  
9 farming operations in this state. The objectives of the beginning  
10 farmer center shall include, but are not limited to:

11           (1) Providing the coordination of education programs and  
12 services for beginning farmer efforts statewide;

13           (2) Assessing the needs of beginning farmers and retiring  
14 farmers in order to identify program and service opportunities;

15           (3) Developing, coordinating, and delivering targeted education  
16 to beginning farmers and retiring farm families.

17           2. Programs and services provided by the beginning farmer  
18 center shall include, but are not limited to, the development of skills  
19 and knowledge in financial management and planning, legal issues, tax  
20 laws, technical production and management, leadership, sustainable  
21 agriculture, human health, and the environment.

22           3. The beginning farmer center shall submit to the general  
23 assembly, annually on or before January first, a report that includes  
24 but is not limited to recommendations for methods by which more  
25 individuals may be encouraged to enter agriculture.

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