

HOUSE RESEARCH

Bill Summary

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Subject: Minnesota Corporate Farm Law

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Overview

In 1973, the Minnesota Legislature made major amendments to the statutes which, since 1851, had controlled the ownership of farm land and the operation of farming enterprises by aliens and corporations. The restrictions on aliens were recodified in Minnesota Statutes section 500.221 and restrictions on corporate ownership were relocated to section 500.24. Section 500.24 has been amended numerous times since 1973 - mostly in ways that recognized emerging business organizational structures. The change generally reduced restrictions on the ownership of farm land. House File 2743 extends the lengthy string of amendments to section 500.24 and makes largely technical clarifications to the major recodification of the section adopted in 2000.

Section

1 Farming by business organizations.

Subd. 2. Definitions.

- The existing definition of "family farm trust" is amended to eliminate a 10-year maximum lead period and the relationship requirements for charitable remainder trusts. Also, the change would now allow the trust to lease farm land to a family farm or other entity authorized to own farm land.
- Family farm trusts are allowed to hold shares in an "authorized livestock farm

Section

corporation," and the requirement that 75 percent of the farmers holding control in an "authorized livestock farm corporation" reside in Minnesota is eliminated.

- Family farm trusts are allowed to hold shares in an "authorized farm partnership."
- The definition of "family farm limited liability company" is expanded to qualify a person who is related to a person who owned the land for a period of at least five years prior to the date ownership of the land was transferred to the limited liability company.
- Family farm trusts are allowed to hold shares in an "authorized farm limited liability company."
- Provides that land foreclosed in the collection of a debt may be leased by the party repossessing the land to a family farm trust in addition to the several other entities previously eligible to lease the land.
- Provides that a nonprofit corporation owning land for specific nonfarming purposes may lease the land to a family farm trust in addition to the several other entities previously eligible to lease the land.
- A bit of confusing language is cleaned up.

- 2 Lease agreement; conservation practice protection clause.** When a family farm trust is leasing agricultural land repossessed or foreclosed by a corporation in settlement of a debt, the lease agreement must include a clause prohibiting intentional damage to conservation practices on the land. This clause is currently required for all other similarly situated lessees.