

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 860
Version: As introduced

DATE: March 22, 2011

Authors: Hamilton and Shimanski

Subject: Tax credits for beginning farmers

Analyst: Colbey Sullivan (agriculture) Nina Manzi (taxes)

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd.

Overview

This bill expands on the Rural Finance Authority's (RFA) beginning farmer assistance programs. It authorizes credits against state income and/or corporate franchise tax liability for: (a) persons who sell or rent an agricultural asset to a qualified beginning farmer or livestock producer, and (b) a qualified beginning farmer or livestock producer who takes an approved farm management course. Both credits are available for tax years beginning after December 31, 2010.

1 **Beginning farmer program; tax credits.**

Subd. 1. Definitions. Defines several terms used in the bill. Defines "beginning farmer or livestock producer" as a resident of Minnesota who:

- is seeking to enter or has entered farming within the last ten years;
- intends to farm on land in Minnesota;
- is not related to the current owner or an associate of the current owner of the agricultural land that the beginning farmer or livestock producer intends to purchase or rent; and
- meets several other eligibility requirements (e.g., net worth, farming acumen, participation in an approved farm management program.)

Subd. 2. Tax credit for owners of agricultural assets. Grants an income/franchise tax credit to a person who sells or rents an agricultural asset to a beginning farmer or livestock producer. Specifies credit amounts and the components of a qualifying rental arrangement, when applicable. Allows a credit carryover.

Subd. 3. Beginning farmer management tax credit. Grants an income/franchise tax credit to a beginning farmer or livestock producer who participates in an RFA-approved farm management program. The credit is equal to the lesser of actual costs incurred or \$700. Allows a credit carryover.

Subd. 4. Authority's duties. Specifies the RFA's duties in carrying out this program.

- 2 **Beginning farmer incentive credit.** Amends income/franchise tax law to add a non-refundable credit for selling or renting an agricultural asset to a beginning farmer or livestock producer. Requires approval and certification by the RFA. Specifies that the credit may carryover for 15 tax years.
- 3 **Beginning farmer management credit.** Amends income/franchise tax law to add a non-refundable credit for a beginning farmer or livestock producer who participates in an RFA-approved farm management program. Requires approval and certification by the RFA. Specifies that the credit may carryover for 3 tax years.
- 4 **Effective date.** The tax credits are available for taxable years beginning after December 31, 2010.