

A bill for an act
relating to taxation; providing an income and corporate franchise tax credit for
qualifying investment in dairy and livestock operations; amending Minnesota
Statutes 2006, section 290.06, by adding a subdivision.

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

Section 1. Minnesota Statutes 2006, section 290.06, is amended by adding a
subdivision to read:

Subd. 34. **Dairy and livestock investment credit.** (a) A dairy and livestock
investment credit is allowed against the tax due under this chapter equal to ten percent
of the amount paid or incurred by the taxpayer, on the first \$500,000 of qualifying
expenditures made in the qualifying period by a person who raises dairy animals or
livestock in this state.

(b) For purposes of this subdivision, "qualifying expenditures" means qualifying
dairy expenditures plus qualifying livestock expenditures.

(c) For purposes of this subdivision, "qualifying dairy expenditures" means the
amount spent for:

(1) the acquisition, construction, or improvement of buildings or facilities, if related
to dairy animals;

(2) the development of pasture owned or rented by the taxpayer for the use of dairy
animals; or

(3) the acquisition of equipment for dairy animal housing, for confinement, for
animal feeding, for production and delivery of milk and other dairy products, and for
waste management, including the following, if related to dairy animals in this state:

(i) freestall barns;

- 2.1 (ii) fences;
- 2.2 (iii) watering facilities;
- 2.3 (iv) feed storage and handling equipment;
- 2.4 (v) milking parlors;
- 2.5 (vi) robotic equipment;
- 2.6 (vii) scales;
- 2.7 (viii) milk storage and cooling facilities;
- 2.8 (ix) bulk tanks;
- 2.9 (x) manure pumping and storage facilities;
- 2.10 (xi) digesters;
- 2.11 (xii) equipment used to produce energy; and
- 2.12 (xiii) on-farm processing and refrigerated trucks for delivery of milk and other
- 2.13 dairy products.
- 2.14 (d) For purposes of this subdivision, "livestock" has the meaning given in section
- 2.15 17A.03, subdivision 5, but also includes fish that are raised in aquaculture facilities and
- 2.16 poultry, and "qualifying livestock expenditures" means the amount spent for:
- 2.17 (1) the acquisition, construction, or improvement of buildings or facilities, if related
- 2.18 to livestock;
- 2.19 (2) the development of pasture owned or rented by the taxpayer for the use of
- 2.20 livestock; or
- 2.21 (3) the acquisition of equipment for livestock housing, confinement, animal feeding,
- 2.22 production and delivery of livestock products, and waste management, including the
- 2.23 following, if related to livestock in this state:
- 2.24 (i) birthing, rearing, and feedlot structures;
- 2.25 (ii) feed storage and handling equipment;
- 2.26 (iii) fences;
- 2.27 (iv) watering facilities;
- 2.28 (v) scales;
- 2.29 (vi) manure pumping and storage facilities;
- 2.30 (vii) digesters;
- 2.31 (viii) equipment used to produce energy;
- 2.32 (ix) fish hatchery buildings;
- 2.33 (x) fish processing buildings;
- 2.34 (xi) fish rearing ponds.
- 2.35 (e) Qualifying expenditures, other than expenditures for development of pasture,
- 2.36 only include amounts that are capitalized and deducted under either section 167 or 179 of

the Internal Revenue Code in computing federal taxable income. Qualifying expenditures for development of pasture must not include land acquisition and are limited to soil preparation expenses, seed costs, planting costs, and weed control, which are allowed once for each acre owned or rented by the taxpayer for the use of dairy animals or livestock and developed into pasture during the qualifying period.

(f) The credit is limited to the liability for tax, as computed under this chapter for the taxable year. If the amount of the credit determined under this section for any taxable year exceeds this limitation, the excess is a dairy and livestock investment credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year is carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this paragraph shall not exceed the taxpayer's liability for tax less the dairy and livestock investment credit for the taxable year.

(g) The qualifying period is that time after December 31, 2006, and before January 1, 2013.

(h) The \$50,000 maximum credit applies at the entity level for partnerships, S corporations, trusts, and estates, as well as at the individual level. In the case of married individuals, the credit is limited to \$50,000 for a married couple.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2006.