

**SENATE
STATE OF MINNESOTA
NINETIETH SESSION**

S.F. No. 1414

(SENATE AUTHORS: GOGGIN, Mathews, Draheim, Eken and Sparks)

DATE	D-PG	OFFICIAL STATUS
02/27/2017	780	Introduction and first reading
		Referred to Taxes
03/09/2017	1254	Author added Eken
03/13/2017	1372	Author added Sparks

1.1 A bill for an act

1.2 relating to agriculture; providing an income tax credit for sales or rentals of

1.3 agricultural assets to beginning farmers; providing an income tax credit for

1.4 beginning farmer financial management programs; establishing duties for the Rural

1.5 Finance Authority; amending Minnesota Statutes 2016, section 290.06, by adding

1.6 subdivisions; proposing coding for new law in Minnesota Statutes, chapter 41B.

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

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

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

1.10 the meanings given.

1.11 (b) "Agricultural assets" means agricultural land, livestock, facilities, buildings, and

1.12 machinery used for farming in Minnesota.

1.13 (c) "Beginning farmer" means a resident of Minnesota who:

1.14 (1) is seeking entry, or has entered within the last ten years, into farming;

1.15 (2) intends to farm land located within the state borders of Minnesota;

1.16 (3) is not related by blood or marriage to the owner of the agricultural assets from whom

1.17 the beginning farmer is seeking to purchase or rent agricultural assets;

1.18 (4) is not related by blood or marriage to a partner, member, shareholder, or trustee of

1.19 the owner of agricultural assets from whom the beginning farmer is seeking to purchase or

1.20 rent agricultural assets; and

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

2.1 (i) has a net worth that does not exceed the limit provided under section 41B.03,
2.2 subdivision 3, paragraph (a), clause (2);

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

2.4 (iii) has, by the judgment of the authority, adequate farming experience or demonstrates
2.5 knowledge in the type of farming for which the beginning farmer seeks assistance from the
2.6 authority;

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

2.9 (v) asserts to the satisfaction of the authority that farming will be a significant source
2.10 of income for the beginning farmer;

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

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

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

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

2.19 (f) "Owner of agricultural assets" means an individual, trust, or pass-through entity that:

2.20 (1) is the owner in fee of agricultural land or has legal title to any other agricultural asset;

2.21 (2) is a Minnesota resident;

2.22 (3) derived at least 50 percent of the individual's, trust's, or entity's gross income from
2.23 farming in at least five of the preceding 15 years; and

2.24 (4) provided the majority of the day-to-day physical labor and management of a farm
2.25 in at least five of the preceding 15 years.

2.26 If the owner is a pass-through entity, the requirements in clauses (1) to (4) are satisfied if
2.27 any one partner or shareowner, or combination of partners or shareowners, meet the
2.28 requirements.

2.29 (g) "Share rent agreement" means a rental agreement in which the principal consideration
2.30 given to the owner of agricultural assets is a predetermined portion of the production of

3.1 farm products produced from the rented agricultural assets and which provides for sharing
3.2 production costs or risk of loss, or both.

3.3 Subd. 2. **Tax credit for owners of agricultural assets.** (a) An owner of agricultural
3.4 assets may take a credit against the tax due under chapter 290 for the sale or rental of
3.5 agricultural assets to a beginning farmer. An owner of agricultural assets may take a credit
3.6 equal to:

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

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

3.10 (3) 15 percent of the cash equivalent of the gross rental income in each of the first,
3.11 second, and third years of a share rent agreement.

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

3.16 (c) An owner of agricultural assets or beginning farmer may terminate a rental agreement,
3.17 including a share rent agreement, for reasonable cause upon approval of the authority. If a
3.18 rental agreement is terminated without the fault of the owner of agricultural assets, the tax
3.19 credits shall not be retroactively disallowed. If an agreement is terminated with fault by the
3.20 owner of agricultural assets, any prior tax credits claimed under this subdivision by the
3.21 owner of agricultural assets shall be disallowed and must be repaid to the commissioner of
3.22 revenue.

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

3.27 Subd. 3. **Beginning farmer management tax credit.** (a) A beginning farmer may take
3.28 a credit against the tax due under chapter 290 for participating in a financial management
3.29 program approved by the authority. The credit is equal to 100 percent of the cost of
3.30 participating in the program. The credit is available for up to three years while the farmer
3.31 is in the program. The authority shall maintain a list of approved financial management
3.32 programs and establish a procedure for approving equivalent programs that are not on the
3.33 list.

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

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

4.6 (1) approve and certify beginning farmers as eligible for the program under this section;

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

4.9 (3) provide necessary and reasonable assistance and support to beginning farmers for
 4.10 qualification and participation in financial management programs approved by the authority;
 4.11 and

4.12 (4) refer beginning farmers to agencies and organizations that may provide additional
 4.13 pertinent information and assistance.

4.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 4.15 31, 2016.

4.16 Sec. 2. Minnesota Statutes 2016, section 290.06, is amended by adding a subdivision to
 4.17 read:

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

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

4.23 (c) The credit is limited to the liability for tax, as computed under this chapter, for the
 4.24 taxable year. If the amount of the credit determined under this subdivision for any taxable
 4.25 year exceeds this limitation, the excess is a beginning farmer incentive credit carryover to
 4.26 each of the 15 succeeding taxable years. The entire amount of the excess unused credit for
 4.27 the taxable year is carried first to the earliest of the taxable years to which the credit may
 4.28 be carried and then to each successive year to which the credit may be carried. The amount
 4.29 of the unused credit which may be added under this paragraph must not exceed the taxpayer's
 4.30 liability for tax, less the beginning farmer incentive credit for the taxable year.

4.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 4.32 31, 2016.

5.1 Sec. 3. Minnesota Statutes 2016, section 290.06, is amended by adding a subdivision to
5.2 read:

5.3 Subd. 38. **Beginning farmer management credit.** (a) A taxpayer who is a beginning
5.4 farmer may take a credit against the tax due under this chapter for participation in a financial
5.5 management program according to section 41B.0391, subdivision 3.

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

5.8 (c) The credit is limited to the liability for tax, as computed under this chapter, for the
5.9 taxable year. If the amount of the credit determined under this subdivision for any taxable
5.10 year exceeds this limitation, the excess is a beginning farmer management credit carryover
5.11 to each of the three succeeding taxable years. The entire amount of the excess unused credit
5.12 for the taxable year is carried first to the earliest of the taxable years to which the credit
5.13 may be carried and then to each successive year to which the credit may be carried. The
5.14 amount of the unused credit which may be added under this paragraph must not exceed the
5.15 taxpayer's liability for tax, less the beginning farmer management credit for the taxable
5.16 year.

5.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
5.18 31, 2016.