

SF1879 - 0 - Beginning Farmer Tax Credit; Agricultural Assets

Chief Author: **Aric Putnam**  
 Committee: **Agriculture and Rural Development**  
 Date Completed: **2/28/2023 5:24:33 PM**  
 Lead Agency: **Agriculture Dept**  
 Other Agencies:  
     Revenue Dept

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue	X	
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
<b>Agriculture Dept</b>						
<b>General Fund</b>	-	10	10	10	10	10
<b>State Total</b>						
<b>General Fund</b>	-	10	10	10	10	10
	<b>Total</b>	<b>-</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>
	<b>Biennial Total</b>			<b>20</b>		<b>20</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
<b>Agriculture Dept</b>					
General Fund	-	-	-	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Lead LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Chloe Burns    **Date:** 2/28/2023 5:24:33 PM  
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**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
<b>Dollars in Thousands</b>		<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>
<b>Agriculture Dept</b>						
General Fund		-	10	10	10	10
<b>Total</b>		<b>-</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Biennial Total</b>				<b>20</b>		<b>20</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
Agriculture Dept						
General Fund						
Expenditures		-	75	75	75	75
Absorbed Costs		-	(65)	(65)	(65)	(65)
<b>Total</b>		<b>-</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Biennial Total</b>				<b>20</b>		<b>20</b>
<b>2 - Revenues, Transfers In*</b>						
Agriculture Dept						
General Fund						
		-	-	-	-	-
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Biennial Total</b>				<b>-</b>		<b>-</b>

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 Agency: **Agriculture Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue	X	
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	10	10	10	10	10
<b>Total</b>	-	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Biennial Total</b>			<b>20</b>			<b>20</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

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**State Cost (Savings) Calculation Details**

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\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands		<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>
General Fund	-	10	10	10	10	10
<b>Total</b>	<b>-</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>
	<b>Biennial Total</b>		<b>20</b>	<b>20</b>		<b>20</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund						
Expenditures	-	75	75	75	75	75
Absorbed Costs	-	(65)	(65)	(65)	(65)	(65)
<b>Total</b>	<b>-</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>
	<b>Biennial Total</b>		<b>20</b>	<b>20</b>		<b>20</b>
<b>2 - Revenues, Transfers In*</b>						
General Fund						
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Biennial Total</b>		<b>-</b>	<b>-</b>		<b>-</b>

**Bill Description**

This bill extends the current Beginning Farmer Tax Credit to sales of agricultural assets between beginning farmers and family members. The percentage of sales is increased by 3% to 8% as well as the capped amount of the tax credit being increased by \$18,000 to \$50,000. An additional 4% of the sales price is being added to socially disadvantaged farmers. The bill allows a credit against the tax due under Chapter 290 for the sale or rental of said "Agricultural Assets" to the Beginning Farmer.

The bill also provides a tax credit for beginning farmers who are taking approved farm financial management programs according to MS 41B.0391.

The bill directs the Rural Finance Authority to certify the validity of the Beginning Farmer designation as well as the validity of the transaction based upon statutory parameters set forth. The RFA will also certify the validity of the educational program merits and qualifications based upon the statute.

**Assumptions**

Existing RFA staff can handle additional application volume that will be generated if agricultural sales are opened to family members. The absorbed annual salary and fringe cost for .80 FTE is \$ 58,000 and non-payroll costs of \$7,000 for a total of \$65,000.

Preliminary estimates suggest that all available funds will be exhausted on a yearly basis.

Agency staff will process applications as well as tax certificates to determine whether the asset owners and beginning farmers meet the parameters of the program.

Application system subscription costs will not exceed \$10,000 per fiscal year. A new system was established in the current fiscal year with money appropriated in the previous session, as such \$290,000 for FY24 and FY25 will not be needed.

**Expenditure and/or Revenue Formula**

**Long-Term Fiscal Considerations**

N/A

**Local Fiscal Impact**

N/A

**References/Sources**

Current MN Statutes, Chapters 41B.0391

**Agency Contact:**

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 Agency: **Revenue Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue	X	
Information Technology		X
Local Fiscal Impact		X

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State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
<b>Total</b>	-	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Joel Enders      **Date:** 2/28/2023 4:28:04 PM  
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**State Cost (Savings) Calculation Details**

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\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>2 - Revenues, Transfers In*</b>						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

**Bill Description**

This bill amends MS 41B.0391, subds. 2 and 4, and repeals MS 41B.0391, subd. 7 to modify eligibility for the beginning farmer tax credit for the sale of an agricultural asset. Under the current program, a beginning farmer and their spouse:

- Cannot be a family member of the owner of the agricultural assets from whom the beginning farmer is seeking to purchase or rent agricultural assets, and
- Cannot be a family member of a partner, member, shareholder, or trustee of the owner of agricultural assets from whom the beginning farmer is seeking to purchase or rent agricultural assets.

Section 1, subd. 2 increases the allocation of a credit to 8% of the lesser of the sale price or the fair market value of the agricultural asset, up to a maximum of \$50,000. Paragraph f specifies that, for purposes of the credit for the sale of an agricultural asset to a beginning farmer, the family member definitional exclusions in MS 41B.0391, subd. 1, paragraph c, clauses 4 and 5 do not apply.

Paragraph g specifies that for a qualifying sale to a family member to qualify for the beginning farmer tax credit, the sales price paid by the beginning farmer must equal or exceed the assessed value of the asset. If there is no assessed value, the sale price must equal or exceed 80 percent of the fair market value of the asset.

Paragraph h clarifies that a “qualifying sale to a family member” is a sale to a beginning farmer in which the beginning farmer or beginning farmer’s spouse is a family member of the owner of the agricultural asset or a partner, member, shareholder, or trustee of the owner of the agricultural asset.

Paragraph i specifies that for a sale to a socially disadvantaged farmer or rancher, the credit rate is 12% instead of 8% and the definition of a “socially disadvantaged farmer or rancher” has the meaning given in United States Code, title 7, section 2279(a)(5). This section is effective for taxable years beginning after December 31, 2022.

Section 2, subd. 4(c) reduces the total allocable credit amount to \$5.7 million for each taxable year. Section 2, subd. 4(d) appropriates funding for the Rural Finance Authority to develop an online application system and to administer the credit. This section is effective for taxable years beginning after December 31, 2022.

Section 3 repeals the sunset of the Beginning Farmer Tax Credit Program, which would otherwise end after taxable year 2023. This section is effective the day following final enactment.

**Assumptions**

The Beginning Farmer Program Tax Credit for owners of agricultural assets is administered by and falls under the jurisdiction of the Rural Finance Authority (RFA). Taxpayers who are certified for the credit by the RFA must report both the credit amount and certificate number provided by the RFA on line 12 of Minnesota Individual Income Tax Form M1C. The Department of Revenue (DOR) assumes no changes to any of its current processes related to the Beginning Farmer

Program Tax Credit for owners of agricultural assets and no impact as a result of this legislation.

**Expenditure and/or Revenue Formula**

This bill may have an impact on state tax revenues. An estimate of revenue impact is not included in this fiscal note. The Department of Revenue prioritizes revenue estimate requests for bills before Tax Committee and will provide one for this bill when it is before Tax Committee.

**Long-Term Fiscal Considerations**

N/A

**Local Fiscal Impact**

N/A

**References/Sources**

Agency staff provided information for this fiscal note.

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