HOUSE BILL No. 1191

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.1-42.

Synopsis: Retiring farmers tax credit. Provides an adjusted gross income tax credit for retired farmers who sell or lease farmland or sell livestock to a qualified beginning farmer. Defines "qualified beginning farmer" and "farmland" for purposes of the credit. Allows a taxpayer to apply to the Indiana state department of agriculture (ISDA) for approval and certification of the credit. Allows a beginning farmer to apply to the ISDA for certification as a qualified beginning farmer. Specifies the amount of the credit that may be claimed by a taxpayer. Limits the total amount of tax credits that may be awarded to $1,000,000 per state fiscal year. Sunsets the credit after six years.

Effective: January 1, 2026.

Culp

January 8, 2025, read first time and referred to Committee on Ways and Means.

Introduced

First Regular Session of the 124th General Assembly (2025)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type.~~

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~*this style type*~~ reconciles conflicts between statutes enacted by the 2024 Regular Session of the General Assembly.

HOUSE BILL No. 1191

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 6-3.1-42 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2026]:

Chapter 42. Retiring Farmers Tax Credit

Sec. 1. This chapter applies to taxable years beginning after December 31, 2025.

Sec. 2. As used in this chapter, "agricultural production" means the production for commercial purposes of crops, livestock, and livestock products, including the processing or retail marketing of such crops, livestock, or livestock products if more than fifty percent (50%) of such processed or marketed products are produced by the farm operator. The term includes use of land that is devoted to and meets the requirements of and qualifications for payments or other compensation pursuant to a soil conservation program under an agreement with an agency of the federal government.

Sec. 3. As used in this chapter, "department" refers to the

department of state revenue.

Sec. 4. As used in this chapter, "farm" means real property on which farming occurs.

Sec. 5. As used in this chapter, "farming" means the active use, management, and operation of real property for agricultural production.

Sec. 6. As used in this chapter, "farmland" means agricultural land, facilities, buildings, equipment, and machinery used for farming.

Sec. 7. As used in this chapter, "ISDA" refers to the Indiana state department of agriculture.

Sec. 8. As used in this chapter, "owner of farmland" means an individual, trust, or pass through entity that is the owner in fee of farmland.

Sec. 9. As used in this chapter, "pass through entity" means:

(1) a corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);

(2) a partnership;

(3) a limited liability company; or

(4) a limited liability partnership.

Sec. 10. As used in this chapter, "qualified beginning farmer" means a person who meets the following criteria:

(1) Has demonstrated experience in the agricultural industry or related field or has transferable skills as determined by the ISDA.

(2) Has not received federal gross income from agricultural production for more than the ten (10) most recent taxable years.

(3) Intends to engage in agricultural production in Indiana and to provide the majority of labor and management involved in that agricultural production.

(4) Has obtained written certification from the ISDA confirming beginning farmer status.

Sec. 11. As used in this chapter, "qualified retired farmer" means an owner of farmland or livestock who retires from farming the owner's land and is either at least sixty (60) years of age or retires due to disability.

Sec. 12. As used in this chapter, "state tax liability" means a taxpayer's total tax liability incurred under IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax) as computed after the application of all credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

Sec. 13. As used in this chapter, "taxpayer" means a qualified retired farmer who has any state tax liability.

Sec. 14. (a) Subject to subsection (c), a taxpayer is entitled to a credit against the taxpayer's state tax liability in the taxable year in which the taxpayer sells or leases farmland or sells livestock to a qualified beginning farmer who has obtained the certification required under section 15 of this chapter.

(b) The amount of a credit allowed under this chapter is equal to:

(1) in the case of farmland, either or both:

(A) the lesser of:

(i) five percent (5%) of the sale price of the farmland; or

(ii) forty-eight thousand dollars ($48,000); and

(B) either:

(i) fifteen percent (15%) of the gross rental income in the first year of the lease agreement, if the lease agreement is not a crop share lease; or

(ii) forty-five dollars ($45) per acre of farmland that is leased under a lease agreement that is a crop share lease;

up to a maximum of twenty-five thousand dollars ($25,000); and

(2) in the case of livestock, ten percent (10%) of the fair market value of the livestock;

not to exceed a combined total of sixty-five thousand dollars ($65,000).

(c) To be eligible for a credit under this chapter the taxpayer and the qualified beginning farmer must enter into an agreement in which the qualified beginning farmer agrees to lease the farmland for not less than three (3) years in the case of a lease, or agrees to hold the farmland as owner for at least three (3) years in the case of a sale.

(d) If the department determines that a qualified beginning farmer either terminated the lease with the taxpayer or relinquished ownership of the farmland (whichever is applicable) before the expiration of three (3) years, the department shall give notice to the taxpayer and impose an assessment on the taxpayer in an amount equal to the previously allowed credits plus any interest and penalties required or permitted by law.

(e) If the owner of farmland is a trust or pass through entity, only those owners of the entity who are qualified retired farmers are entitled to a credit under this chapter in proportion to the taxpayer's beneficial interest in the entity.

(f) In the case of a husband and wife who are both taxpayers and who file separate tax returns, the husband and wife are entitled to only one (1) credit under this chapter and may take the credit in equal shares or one (1) spouse may take the whole credit.

(g) In the case of two (2) or more taxpayers who are the owners of farmland as joint tenants or tenants in common, the owners are entitled to only one (1) credit under this chapter in proportion as set forth in section 17 of this chapter.

Sec. 15. (a) A taxpayer wishing to obtain a credit under this chapter must apply to the ISDA for approval and certification of the credit in the form and manner prescribed by the ISDA. The application must:

(1) identify the qualified beginning farmer who has been certified by the ISDA under this section and to whom the farmland is sold or leased or the livestock is sold; and

(2) provide all other information required by the ISDA.

(b) A person may apply to the ISDA for certification as a qualified beginning farmer for purposes of this chapter. The application shall be in the form and manner prescribed by the ISDA and shall require that the applicant provide the following:

(1) Projected earnings statements to demonstrate the profit potential for the farming conducted by the applicant.

(2) Verification that the farming conducted by the applicant will be a significant source of income for the applicant.

(3) Verification that the applicant will, if certified as a qualified beginning farmer by the ISDA, notify the ISDA and the department if the farmer no longer meets the certification and eligibility requirements within the three (3) year certification period, in which case eligibility for the tax credit ends.

(4) Verification and documentation as necessary to meet other eligibility requirements as may be established by the ISDA.

(c) The certification of a qualified beginning farmer under subsection (b) or the certification of a tax credit under subsection (a) is valid for the year of the certification and the two (2) following years, after which time the qualified beginning farmer or the taxpayer must apply to the ISDA for recertification under this section.

Sec. 16. To obtain a credit under this chapter, a taxpayer must claim the credit on the taxpayer's annual state tax return or returns in the manner prescribed by the department. The taxpayer shall submit to the department the certification by the ISDA

required under section 15 of this chapter for the taxable year in which the credit is claimed and provide all information that the department determines is necessary for the calculation of the credit provided by this chapter.

Sec. 17. If a pass through entity is entitled to a tax credit under this chapter but does not have state tax liability against which the tax credit may be applied, a shareholder, partner, or member of the pass through entity is entitled to a tax credit equal to:

(1) the tax credit determined for the pass through entity for the taxable year; multiplied by

(2) the percentage of the pass through entity's distributive income to which the shareholder, partner, or member is entitled.

Sec. 18. (a) The credit provided by this chapter may be carried forward and applied to succeeding taxable years for three (3) taxable years following the unused credit year. A taxpayer is not entitled to any carryback or refund of any unused credit.

(b) A taxpayer may not sell, assign, convey, or otherwise transfer a tax credit provided under this chapter.

Sec. 19. The total amount of tax credits awarded under this chapter may not exceed one million dollars ($1,000,000) per state fiscal year.

Sec. 20. This chapter expires January 1, 2032.