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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 1074

02/19/2015 Authored by Marquart, Bly, Hamilton, Poppe and Anderson, P.,  
The bill was read for the first time and referred to the Committee on Agriculture Policy

1.1 A bill for an act  
1.2 relating to agriculture; extending the Agricultural Growth, Research, and  
1.3 Investment (AGRI) program for ten years; dedicating a portion of annual AGRI  
1.4 spending to farm business management scholarships; providing income tax  
1.5 credits to encourage beginning farmers; appropriating money for beginning  
1.6 farmer individual development accounts and supplemental farm business  
1.7 management program funding; amending Minnesota Statutes 2014, sections  
1.8 41A.12, subdivisions 2, 4; 290.06, by adding subdivisions; proposing coding for  
1.9 new law in Minnesota Statutes, chapter 41B.

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

1.11 Section 1. Minnesota Statutes 2014, section 41A.12, subdivision 2, is amended to read:

1.12 Subd. 2. **Activities authorized.** (a) For the purposes of this program, the  
1.13 commissioner may issue grants, loans, or other forms of financial assistance. Eligible  
1.14 activities include, but are not limited to, grants to livestock producers under the livestock  
1.15 investment grant program under section 17.118, bioenergy awards made by the NextGen  
1.16 Energy Board under section 41A.105, cost-share grants for the installation of biofuel  
1.17 blender pumps, and financial assistance to support other rural economic infrastructure  
1.18 activities.

1.19 (b) The commissioner must allocate \$500,000 each fiscal year for need-based farm  
1.20 business management tuition scholarships.

1.21 Sec. 2. Minnesota Statutes 2014, section 41A.12, subdivision 4, is amended to read:

1.22 Subd. 4. **Sunset.** This section expires on June 30, ~~2015~~ 2025.

1.23 Sec. 3. [41B.0391] BEGINNING FARMER TAX CREDIT PROGRAM;  
1.24 ADMINISTRATION.

2.1 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms  
2.2 have the meanings given.

2.3 (b) "Agricultural asset" means agricultural land, livestock, crop or livestock  
2.4 production facilities or buildings, and machinery used to farm in Minnesota.

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

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

2.7 (2) farms or intends to farm land located within Minnesota;

2.8 (3) is not related by blood or marriage to the owner of the agricultural assets from  
2.9 whom the beginning farmer is seeking to purchase or rent agricultural assets;

2.10 (4) is not related by blood or marriage to a partner, member, shareholder, or trustee  
2.11 of the owner of agricultural assets from whom the beginning farmer is seeking to purchase  
2.12 or rent agricultural assets; and

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

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

2.16 (ii) is or will be the principal operator of the farm and certifies that farming is or  
2.17 will be the applicant's principal occupation;

2.18 (iii) has or is actively acquiring sufficient education, training, or experience in  
2.19 farming;

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

2.22 (v) satisfies the farm management program requirement under section 41B.03,  
2.23 subdivision 3, paragraph (a), clause (7); and

2.24 (vi) agrees to file a soil and water conservation plan as provided under section  
2.25 41B.03, subdivision 3, paragraph (a), clause (8).

2.26 (d) "Farming" has the meaning given in Minnesota Rules, part 1650.0021, subpart 2.

2.27 (e) "Owner of agricultural assets" means a person who is the owner in fee of  
2.28 agricultural land or who has legal title to any other agricultural asset.

2.29 (f) "Share-rent agreement" means a rental agreement in which the principal  
2.30 consideration given to the owner of agricultural assets is a predetermined portion of the  
2.31 production of farm products produced from the rented agricultural assets and which  
2.32 provides for sharing production costs or risk of loss, or both.

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

3.1 (1) five percent of the sale price of the agricultural asset;  
3.2 (2) ten percent of the gross rental income in each of the first, second, and third year  
3.3 of a rental agreement; or

3.4 (3) 15 percent of the cash equivalent of the gross rental income in each of the first,  
3.5 second, and third year of a share-rent agreement.

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

3.10 (c) An owner of agricultural assets or a beginning farmer may terminate a rental  
3.11 agreement, including a share-rent agreement, for reasonable cause. If a rental agreement is  
3.12 terminated without the fault of the owner of agricultural assets, the tax credits shall not  
3.13 be retroactively disallowed. If an agreement is terminated with fault by the owner of  
3.14 agricultural assets, any prior tax credits claimed under this subdivision by the owner of  
3.15 agricultural assets shall be disallowed and must be repaid to the commissioner of revenue.

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

3.20 Subd. 3. **Beginning farmer management tax credit.** (a) A beginning farmer  
3.21 may take a credit against the tax due under chapter 290 for participating in a financial  
3.22 management program approved by the authority. The credit is equal to 100 percent of the  
3.23 cost of participating in the program or \$700, whichever is less. The credit is available  
3.24 for up to three years while the farmer is in the program. The authority shall maintain a  
3.25 list of approved financial management programs and establish a procedure for approving  
3.26 equivalent programs that are not on the list.

3.27 (b) The credit is limited to the liability for tax, as computed under chapter 290, for  
3.28 the taxable year. If the amount of the credit determined under this section for any taxable  
3.29 year exceeds this limitation, the excess is a beginning farmer management credit carryover  
3.30 according to section 290.06, subdivision 37.

3.31 Subd. 4. **Authority's duties.** The authority shall:

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

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

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

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

4.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 4.7 December 31, 2014.

4.8 Sec. 4. Minnesota Statutes 2014, section 290.06, is amended by adding a subdivision  
 4.9 to read:

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

4.13 (b) The credit may be claimed only after approval and certification by the Rural  
 4.14 Finance Authority under section 41B.0391.

4.15 (c) The credit is limited to the liability for tax, as computed under this chapter, for the  
 4.16 taxable year. If the amount of the credit determined under this subdivision for any taxable  
 4.17 year exceeds this limitation, the excess is a beginning farmer incentive credit carryover to  
 4.18 each of the 15 succeeding taxable years. The entire amount of the excess unused credit  
 4.19 for the taxable year is carried first to the earliest of the taxable years to which the credit  
 4.20 may be carried and then to each successive year to which the credit may be carried. The  
 4.21 amount of the unused credit which may be added under this paragraph must not exceed the  
 4.22 taxpayer's liability for tax less the beginning farmer incentive credit for the taxable year.

4.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 4.24 December 31, 2014.

4.25 Sec. 5. Minnesota Statutes 2014, section 290.06, is amended by adding a subdivision  
 4.26 to read:

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

4.30 (b) The credit may be claimed only after approval and certification by the Rural  
 4.31 Finance Authority under section 41B.0391.

4.32 (c) The credit is limited to the liability for tax, as computed under this chapter, for the  
 4.33 taxable year. If the amount of the credit determined under this subdivision for any taxable

5.1 year exceeds this limitation, the excess is a beginning farmer management credit carryover  
5.2 to each of the three succeeding taxable years. The entire amount of the excess unused credit  
5.3 for the taxable year is carried first to the earliest of the taxable years to which the credit  
5.4 may be carried and then to each successive year to which the credit may be carried. The  
5.5 amount of the unused credit which may be added under this paragraph must not exceed the  
5.6 taxpayer's liability for tax less the beginning farmer management credit for the taxable year.

5.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
5.8 December 31, 2014.

5.9 **Sec. 6. APPROPRIATION; BEGINNING FARMER INDIVIDUAL**  
5.10 **DEVELOPMENT ACCOUNT MATCHING GRANTS.**

5.11 (a) \$100,000 in fiscal year 2016 and \$100,000 in fiscal year 2017 are appropriated  
5.12 from the general fund to the commissioner of human services for grants to fiduciary  
5.13 organizations under the family assets for independence initiative in Minnesota Statutes,  
5.14 section 256E.35. These appropriations must be matched by a like amount of federal funds.  
5.15 Grant funds are available to fiduciary organizations to match savings under a new matched  
5.16 savings program for beginning farmers.

5.17 (b) Before the commissioner of human services may award funds under this section,  
5.18 a statewide organization representing participating fiduciary organizations must submit a  
5.19 beginning farmer program and fund distribution plan to the commissioner of human  
5.20 services. The plan must include at least the following elements:

5.21 (1) a participant must be a beginning farmer, as defined in Minnesota Statutes,  
5.22 section 41B.0391, subdivision 1, paragraph (c); and

5.23 (2) a participant who satisfies all program requirements must receive a one-to-one  
5.24 match on their savings of up to \$3,500 over a two-year period. Permissible uses of  
5.25 matching funds include the purchase of agricultural land, equipment, animals, or supplies.

5.26 (c) Up to \$25,000 of the appropriation each year is reserved to match the savings of  
5.27 beginning farmers who are members of a protected group, as defined under Minnesota  
5.28 Statutes, section 43A.02, subdivision 33. Any portion of this set-aside that is not spent or  
5.29 encumbered for beginning farmers who are members of a protected group by January 31  
5.30 of each fiscal year may be reallocated to match the savings of other eligible participants.

5.31 **Sec. 7. APPROPRIATION; FARM BUSINESS MANAGEMENT SUPPLEMENT.**

5.32 (a) \$2,400,000 in fiscal year 2016 and \$2,400,000 in fiscal year 2017 are  
5.33 appropriated from the general fund to the commissioner of agriculture for grants to the  
5.34 Board of Trustees of the Minnesota State Colleges and Universities system for additional

6.1 farm business management programming. Before receiving a grant, the Board of Trustees  
6.2 must certify that the board will maintain total funding for the farm business management  
6.3 program at no less than fiscal year 2015 levels and that the grant will supplement, not  
6.4 supplant, existing sources of farm business management funding.

6.5 (b) The Board of Trustees must allocate a portion of grant funding received under  
6.6 this section to outreach to, and farm business management programming for, beginning  
6.7 farmers, urban farmers, recent immigrant farmers, and farmers who are members of a  
6.8 protected group as defined under Minnesota Statutes, section 43A.02, subdivision 33.