

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 242 Session of 2025

INTRODUCED BY FRIEL, KHAN, McNEILL, GIRAL, BARGER, HOWARD, HADDOCK, PASHINSKI, SANCHEZ, HILL-EVANS, PIELLI, FREEMAN AND ZIMMERMAN, JANUARY 17, 2025

REFERRED TO COMMITTEE ON FINANCE, JANUARY 17, 2025

AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An  
 2 act relating to tax reform and State taxation by codifying  
 3 and enumerating certain subjects of taxation and imposing  
 4 taxes thereon; providing procedures for the payment,  
 5 collection, administration and enforcement thereof; providing  
 6 for tax credits in certain cases; conferring powers and  
 7 imposing duties upon the Department of Revenue, certain  
 8 employers, fiduciaries, individuals, persons, corporations  
 9 and other entities; prescribing crimes, offenses and  
 10 penalties," in tax credits relating to beginning farmers,  
 11 further providing for scope of article, for definitions, for  
 12 beginning farmer management tax credit and for approval of  
 13 tax credit.

14 The General Assembly of the Commonwealth of Pennsylvania  
 15 hereby enacts as follows:

16 Section 1. Section 1801-H of the act of March 4, 1971  
 17 (P.L.6, No.2), known as the Tax Reform Code of 1971, is amended  
 18 to read:

19 Section 1801-H. Scope of article.

20 This article relates to the tax credits to owners of  
 21 agricultural assets who sell [or rent] agricultural assets to  
 22 beginning farmers.

23 Section 2. The definitions of "department" and "lease" in

1 section 1802-H of the act are amended to read:

2 Section 1802-H. Definitions.

3 The following words and phrases when used in this article  
4 shall have the meanings given to them in this section unless the  
5 context clearly indicates otherwise:

6 \* \* \*

7 "Department." The Department of [Community and Economic  
8 Development] Agriculture of the Commonwealth.

9 \* \* \*

10 ["Lease." A written agreement between parties for the lease  
11 of real property on which farming occurs.]

12 \* \* \*

13 Section 3. Sections 1803-H and 1804-H(a) of the act are  
14 amended to read:

15 Section 1803-H. Beginning farmer management tax credit.

16 (a) General rule.--An owner of agricultural assets and a  
17 beginning farmer may each take a credit against the tax due  
18 under Article III for the sale [or rental] of agricultural  
19 assets to [a] the beginning farmer in the amount approved by the  
20 department. An owner of agricultural assets [is] and a beginning  
21 farmer are eligible for allocation of a tax credit equal to[:

22 (1) five percent of the lesser of the sale price or the  
23 fair market value of the agricultural asset, up to a maximum  
24 of \$32,000; or

25 (2) ten percent of the gross rental income in each of  
26 the first, second and third years of a rental agreement, up  
27 to a maximum of \$7,000 per year.] 5% of the lesser of the  
28 sale price or the fair market value of the agricultural  
29 asset, up to a maximum of \$50,000 per farm or agricultural  
30 asset.

1 (b) Application.--

2 (1) The tax credit may be claimed only after approval  
3 and certification by the department and is limited to the  
4 amount stated on the certificate issued under section 1804-H.

5 (2) An owner of agricultural assets and a beginning  
6 farmer must apply to the department for approval of a tax  
7 credit, in a form and manner prescribed by the department.  
8 The application shall:

9 (i) identify the beginning farmer who has been  
10 certified by the department under paragraph (3) and to  
11 whom the agricultural assets are sold [or rented]; and

12 (ii) specify whether the beginning farmer is a  
13 brother, sister, ancestor or lineal descendant of the  
14 applicant.

15 (3) A person may apply to the department for  
16 certification that the person is a beginning farmer for  
17 purposes of this article. The application shall be in a form  
18 and manner prescribed by the department and shall require  
19 that the applicant provide:

20 (i) Projected earnings statements to demonstrate the  
21 profit potential for the farming conducted by the  
22 applicant.

23 [(ii) Verification that the farming conducted by the  
24 applicant will be a significant source of income for the  
25 applicant.]

26 (iii) Verification that the applicant will, if  
27 certified as a beginning farmer by the department, notify  
28 the department if the farmer no longer meets the  
29 certification and eligibility requirements within the  
30 three-year certification period, in which case

1 eligibility for tax credits ends.

2 (iv) Verification that [the applicant is not engaged  
3 in farming by means of a joint business venture.] the  
4 applicant is an individual, or if engaged in farming by  
5 means of a joint business venture, that each individual  
6 who is a member of the joint business venture meets the  
7 definition of a beginning farmer.

8 (iv.1) Verification and documentation of Federal  
9 gross income from agricultural production or experience  
10 in the agriculture industry or related field within the  
11 taxable year.

12 (v) Verification and documentation as necessary to  
13 meet other eligibility requirements as may be established  
14 by the department.

15 (c) [Termination of rental agreement.--

16 (1) An owner of agricultural assets or a beginning  
17 farmer may terminate a rental agreement for reasonable cause  
18 upon approval of the department.

19 (2) If a rental agreement is terminated without the  
20 fault of the owner of agricultural assets, the tax credits  
21 shall not be retroactively disallowed.

22 (3) In determining reasonable cause, the department  
23 shall consider which party was at fault in the termination of  
24 the agreement.

25 (4) If the department determines the owner of  
26 agricultural assets did not have reasonable cause, the owner  
27 of agricultural assets must repay all tax credits received as  
28 a result of the rental agreement to the Commonwealth. The  
29 repayment is additional income tax for the taxable year in  
30 which the department makes its decision.] (Reserved).

1 (d) [Duration] Limitation of tax credit.--The credit is  
2 limited to the liability for tax as computed under Article III  
3 [for the taxable year. The tax credit may not be sold, passed  
4 through, carried forward or refunded]. No credits granted under  
5 this section shall be applied against any tax withheld by an  
6 employer from an employee under Article III.

7 (e) Use, carryover, carryback, refund and assignment of  
8 credit.--

9 (1) The owner of an agricultural asset or beginning  
10 farmer must first apply the tax credit against the tax  
11 liability for the year in which the credit is first approved.  
12 If the owner of an agricultural asset or beginning farmer  
13 cannot use the entire amount of the tax credit for the  
14 taxable year in which the tax credit is first approved, the  
15 excess may be carried over to succeeding taxable years and  
16 used as a credit against the tax liability of the owner of an  
17 agricultural asset or beginning farmer for those taxable  
18 years. Each time the tax credit is carried over to a  
19 succeeding taxable year, it shall be reduced by the amount  
20 that was used as a credit during the immediately preceding  
21 taxable year. The tax credit may be carried over and applied  
22 to succeeding taxable years for no more than three taxable  
23 years following the year in which the credit was first  
24 approved.

25 (2) If the owner of an agricultural asset or beginning  
26 farmer cannot use the entire amount of the tax credit after  
27 the application of paragraph (1), the owner of an  
28 agricultural asset or beginning farmer, upon application to  
29 and approval by the Department of Revenue, may request a  
30 refund. The refund permitted under this paragraph may not

1 exceed 75% of the remaining balance of the tax credit or  
2 \$15,000, whichever is less.

3 (3) An owner of an agricultural asset or beginning  
4 farmer is not entitled to carry back, sell or assign all or  
5 any portion of an unused tax credit granted to the owner of  
6 an agricultural asset or beginning farmer under this article.

7 (f) Beginning farmer tax credit program public awareness  
8 campaign.--The department shall establish a public awareness  
9 campaign to provide information to the general public and owners  
10 of agricultural assets concerning the availability and  
11 applicability of the tax credit.

12 Section 1804-H. Approval of tax credit.

13 (a) General rule.--The tax credit may be claimed only after  
14 approval and certification by the department. [The department  
15 shall review the application of a tax credit in consultation  
16 with the Department of Agriculture.]

17 \* \* \*

18 Section 4. This act shall take effect in 60 days.