



Minnesota Beginning Farmer Tax Credit

A new incentive can help Minnesota beginning farmers access land and other agricultural assets.

www.landstewardshipproject.org/beginningfarmertaxcredit

A Helping Hand for Beginning Farmers

The Land Stewardship Project has long recognized that training and networking beginning farmers through our Farm Beginnings and Journey person courses is not always enough to get beginning farmers launched successfully. Access to land and other assets remains a barrier for many. LSP believes that part of the solution is creating public policy and devoting public resources to helping beginning farmers get the assets they need.

During the 2017 session of the Minnesota Legislature, LSP worked to pass the Beginning Farmer Tax Credit initiative. With the leadership of Rep. Nels Pierson (R-Rochester) and LSP's support, the bill was passed by the Legislature and signed into law by Governor Mark Dayton. While other states—Nebraska, Iowa and Wisconsin—have passed similar legislation that this initiative was based on, Minnesota's law is the first to provide such a tax credit incentive for the sale, as well as rental, of farmland.

Details of the Program

The Beginning Farmer Tax Credit went into effect January 1, 2018. The Rural Finance Authority will approve and certify tax credits on a first come first served basis. There is \$5 million available to the program in 2018.

Under this initiative, there is now a state tax credit for owners of agricultural assets—land, livestock, facilities, buildings or machinery used for farming in Minnesota—who agree to sell or rent those assets to a beginning farmer who is not a family member. There is also a tax credit available for beginning farmers who participate in a financial management program, irregardless if they are buying or renting from an asset owner.

If You are an Asset Owner

- ◆ **If you are selling an agricultural asset**, the credit covers:
 - 5 percent of the sale price or fair market value (whichever is less) of the asset, up to \$32,000.
- ◆ **If you are renting an agricultural asset**, the credit covers:
 - 10 percent of the gross rental income in each of the first three years of a rental agreement, up to \$7,000 per year.
 - 15 percent of the cash equivalent of the gross rental income of the first three years of a share-rent agreement, up to \$10,000 per year.

In a single year, a farmer can participate in all three tax credit categories listed above, as long as these categories pertain to different assets. The agricultural asset must be rented at the prevailing community rates as determined by the Rural Finance Authority. If the amount of the credit exceeds tax liability, the excess may be carried forward 15 years.

If You are a Beginning Farmer

Beginning farmers may be eligible for a tax credit to help cover the cost of participating in an approved financial management program. The financial management credit need not be tied to any agricultural asset sale or rental. The Rural Finance Authority has developed a list (www.mda.state.mn.us/grants/fbmprograms.aspx) of financial management programs that are eligible for the credit. For example, the Minnesota Farm Business

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Management Program qualifies, as well as the Land Stewardship Project's Farm Beginnings and Journeyperson courses. For beginning farmers enrolled in a financial management program:

- The credit is equal to 100 percent of the cost of participating in a financial management program (up to \$1,500 per year).
- The credit can be taken for three years.
- If the amount of the credit exceeds the tax liability, the excess can be carried forward three years.

Definition of a 'Beginning Farmer'

For either of these credits, the "beginning farmer" involved must be someone who:

- Is a Minnesota resident who is seeking entry into farming, or has started farming within the past 10 years.
- Is a farmer who will provide the majority of the labor and management of the farm that is located in Minnesota.
- Can provide positive projected earnings statements.
- Is not directly related to the owner of the agricultural asset.
- Has a net worth that does not exceed \$800,000.
- Is enrolled in a financial management program approved by the Rural Finance Authority.

Land Stewardship Project Resources

- ♦ **Farm Beginnings Course.** This course provides strategic farm plan development as well as networking with other beginning and experienced farmers: www.farmbeginnings.org.
- ♦ **Journeyperson Course.** This course is for farmers in their third- to fifth-year, and looking at scaling up: www.landstewardshipproject.org/morefarmers/lspjourneypersonfarmtrainingcourse.
- ♦ **LSP Seeking Farmers-Seeking Land Clearinghouse.** Farmers who are seeking to rent or buy farmland list their information here. In addition, landowners with land for sale or rent are listed here: www.landstewardshipproject.org/morefarmers/seekingfarmersseekinglandclearinghouse.
- ♦ **Farm Transitions Toolkit.** This is a guide for transferring a farm to the next generation: www.landstewardshipproject.org/morefarmers/farmtransitiontools/farmtransitionstoolkit.

Additional Resources

- ♦ Rural Finance Authority: www.mda.state.mn.us/grants/bftc.aspx (website), 651-201-6004 (phone), mda.bftc@state.mn.us (e-mail).
- ♦ The full 2017 Minnesota tax bill 41B.039: www.revisor.mn.gov. Type in **Beginning Farmer Tax Credit** in the **Search Law by Key Word** tab at the top of the page.
- ♦ Information on the Nebraska Beginning Farmer Tax Credit Act: www.nextgen.nebraska.gov/index.html.

More Information

For more information on this tax credit initiative, see www.landstewardshipproject.org/beginningfarmertaxcredit or contact LSP Farm Beginnings Program organizer Karen Stettler at 507-523-3366 or stettler@landstewardshipproject.org.