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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. 9

January 8, 2007

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The bill was read for the first time and referred to the Committee on Finance

March 7, 2007

Committee Recommendation and Adoption of Report:
To Pass as Amended and re-referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; providing income and corporate franchise tax credits for
1.3 qualifying investments in dairy operations and livestock; amending Minnesota
1.4 Statutes 2006, section 290.06, by adding subdivisions.

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

1.6 Section 1. Minnesota Statutes 2006, section 290.06, is amended by adding a
1.7 subdivision to read:

1.8 Subd. 34. Dairy investment credit. (a) A dairy investment credit is allowed against
1.9 the tax due under this chapter equal to ten percent of the amount paid or incurred by the
1.10 taxpayer, on the first \$500,000 of qualifying expenditures made in the qualifying period by
1.11 a person who raises dairy animals in this state.

1.12 (b) For purposes of this subdivision, "qualifying expenditures" means the amount
1.13 spent for:

1.14 (1) the acquisition, construction, or improvement of buildings or facilities, if related
1.15 to dairy animals;

1.16 (2) the development of pasture owned or rented by the taxpayer for the use of dairy
1.17 animals; or

1.18 (3) the acquisition of equipment for dairy animal housing, for confinement, for
1.19 animal feeding, for production and delivery of milk and other dairy products, and for
1.20 waste management, including the following, if related to dairy animals in this state:

1.21 (i) freestall barns;

1.22 (ii) fences;

1.23 (iii) watering facilities;

1.24 (iv) feed storage and handling equipment;

- 2.1 (v) milking parlors;
2.2 (vi) robotic equipment;
2.3 (vii) scales;
2.4 (viii) milk storage and cooling facilities;
2.5 (ix) bulk tanks;
2.6 (x) manure pumping and storage facilities;
2.7 (xi) digesters;
2.8 (xii) equipment used to produce energy; and
2.9 (xiii) on-farm processing and refrigerated trucks for delivery of milk and other
2.10 dairy products.

2.11 Qualifying expenditures, other than expenditures for development of pasture, only
2.12 include amounts that are capitalized and deducted under either section 167 or 179 of the
2.13 Internal Revenue Code in computing federal taxable income. Qualifying expenditures
2.14 for development of pasture must not include land acquisition and are limited to soil
2.15 preparation expenses, seed costs, planting costs, and weed control, which are allowed once
2.16 for each acre owned or rented by the taxpayer for the use of dairy animals and developed
2.17 into pasture during the qualifying period.

2.18 (c) The credit is limited to the liability for tax, as computed under this chapter for the
2.19 taxable year. If the amount of the credit determined under this section for any taxable year
2.20 exceeds this limitation, the excess is a dairy investment credit carryover to each of the 15
2.21 succeeding taxable years. The entire amount of the excess unused credit for the taxable
2.22 year is carried first to the earliest of the taxable years to which the credit may be carried
2.23 and then to each successive year to which the credit may be carried. The amount of the
2.24 unused credit which may be added under this paragraph shall not exceed the taxpayer's
2.25 liability for tax less the dairy investment credit for the taxable year.

2.26 (d) The qualifying period is that time after December 31, 2006, and before January
2.27 1, 2013.

2.28 (e) The \$50,000 maximum credit applies at the entity level for partnerships, S
2.29 corporations, trusts, and estates as well as at the individual level. In the case of married
2.30 individuals, the credit is limited to \$50,000 for a married couple.

2.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
2.32 December 31, 2006.

2.33 Sec. 2. Minnesota Statutes 2006, section 290.06, is amended by adding a subdivision
2.34 to read:

3.1 Subd. 35. **Livestock investment credit.** (a) A livestock investment credit is allowed
3.2 against the tax due under this chapter equal to ten percent of the amount paid or incurred
3.3 by the taxpayer on the first \$100,000 of qualifying expenditures made in the qualifying
3.4 period by a person who raises livestock in this state.

3.5 (b) For purposes of this subdivision, "livestock" has the meaning given in section
3.6 31.59, subdivision 3, and "qualifying expenditures" means the amount spent for:

3.7 (1) the acquisition, construction, or improvement of buildings or facilities, if related
3.8 to livestock;

3.9 (2) the development of pasture owned or rented by the taxpayer for use by livestock;
3.10 or

3.11 (3) the acquisition of equipment for livestock housing, confinement, animal feeding,
3.12 production and delivery of livestock products, and waste management, including the
3.13 following, if related to livestock in this state:

3.14 (i) birthing, rearing, and feedlot structures;

3.15 (ii) feed storage and handling equipment;

3.16 (iii) fences;

3.17 (iv) watering facilities;

3.18 (v) scales;

3.19 (vi) manure pumping and storage facilities;

3.20 (vii) digesters; and

3.21 (viii) equipment used to produce energy.

3.22 (c) Qualifying expenditures, other than expenditures for development of pasture,
3.23 only include amounts that are capitalized and deducted under either section 167 or 179 of
3.24 the Internal Revenue Code in computing federal taxable income. Qualifying expenditures
3.25 for development of pasture must not include land acquisition and are limited to soil
3.26 preparation expenses, seed costs, planting costs, and weed control, which are allowed
3.27 once for each acre owned or rented by the taxpayer for the use by livestock and developed
3.28 into pasture during the qualifying period.

3.29 (d) The credit is limited to the liability for tax, as computed under this chapter for the
3.30 taxable year. If the amount of the credit determined under this section for any taxable year
3.31 exceeds this limitation, the excess is a livestock investment credit carryover to each of the
3.32 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable
3.33 year is carried first to the earliest of the taxable years to which the credit may be carried
3.34 and then to each successive year to which the credit may be carried. The amount of the
3.35 unused credit which may be added under this paragraph shall not exceed the taxpayer's
3.36 liability for tax less the livestock investment credit for the taxable year.

4.1 (e) The qualifying period is that time after December 31, 2006, and before January
4.2 1, 2008.

4.3 (f) The \$10,000 maximum credit applies at the entity level for partnerships, S
4.4 corporations, trusts, and estates, as well as at the individual level. In the case of married
4.5 individuals, the credit is limited to \$10,000 for a married couple.

4.6 (g) To be eligible for the livestock investment credit in this subdivision, a taxpayer
4.7 must apply to the commissioner of agriculture for a tax credit certificate. The application
4.8 must be made on forms prescribed by the commissioner of agriculture and must include a
4.9 statement of the qualifying expenditures made during the qualifying period.

4.10 (h) The livestock investment credit for all taxpayers combined during the qualifying
4.11 period is \$1,000,000. The commissioner of agriculture shall certify credits in the order
4.12 the forms required under paragraph (g) are received and approved by the commissioner
4.13 of agriculture, until the maximum credit for all taxpayers has been reached. The
4.14 commissioner of agriculture shall notify in writing any taxpayer who applies for a
4.15 tax credit certificate and is ineligible under the provisions of this subdivision and any
4.16 taxpayer whose application is received or reviewed after the \$1,000,000 credit limit has
4.17 been reached.

4.18 **EFFECTIVE DATE.** This section is effective for the taxable year beginning
4.19 January 1, 2007.