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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 1456

02/22/2021 Authored by Marquart, Mueller, Haley, Rasmusson and Jurgens
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to agriculture; modifying eligibility for beginning farmer tax credit for
1.3 the sale of an agricultural asset; amending Minnesota Statutes 2020, section
1.4 41B.0391, subdivision 2.

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

1.6 Section 1. Minnesota Statutes 2020, section 41B.0391, subdivision 2, is amended to read:

1.7 Subd. 2. Tax credit for owners of agricultural assets. (a) An owner of agricultural
1.8 assets may take a credit against the tax due under chapter 290 for the sale or rental of
1.9 agricultural assets to a beginning farmer in the amount allocated by the authority under
1.10 subdivision 4. An owner of agricultural assets is eligible for allocation of a credit equal to:

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

1.13 (2) ten percent of the gross rental income in each of the first, second, and third years of
1.14 a rental agreement, up to a maximum of \$7,000 per year; or

1.15 (3) 15 percent of the cash equivalent of the gross rental income in each of the first,
1.16 second, and third years of a share rent agreement, up to a maximum of \$10,000 per year.

1.17 (b) A qualifying rental agreement includes cash rent of agricultural assets or a share rent
1.18 agreement. The agricultural asset must be rented at prevailing community rates as determined
1.19 by the authority.

1.20 (c) The credit may be claimed only after approval and certification by the authority, and
1.21 is limited to the amount stated on the certificate issued under subdivision 4. An owner of

2.1 agricultural assets must apply to the authority for certification and allocation of a credit, in
2.2 a form and manner prescribed by the authority.

2.3 (d) An owner of agricultural assets or beginning farmer may terminate a rental agreement,
2.4 including a share rent agreement, for reasonable cause upon approval of the authority. If a
2.5 rental agreement is terminated without the fault of the owner of agricultural assets, the tax
2.6 credits shall not be retroactively disallowed. In determining reasonable cause, the authority
2.7 must look at which party was at fault in the termination of the agreement. If the authority
2.8 determines the owner of agricultural assets did not have reasonable cause, the owner of
2.9 agricultural assets must repay all credits received as a result of the rental agreement to the
2.10 commissioner of revenue. The repayment is additional income tax for the taxable year in
2.11 which the authority makes its decision or when a final adjudication under subdivision 5,
2.12 paragraph (a), is made, whichever is later.

2.13 (e) The credit is limited to the liability for tax as computed under chapter 290 for the
2.14 taxable year. If the amount of the credit determined under this section for any taxable year
2.15 exceeds this limitation, the excess is a beginning farmer incentive credit carryover according
2.16 to section 290.06, subdivision 37.

2.17 (f) Notwithstanding subdivision 1, paragraph (c), for purposes of the credit for the sale
2.18 of an agricultural asset under paragraph (a), clause (1), the family member definitional
2.19 exclusions in subdivision 1, paragraph (c), clauses (4) and (5), do not apply.

2.20 (g)(1) To qualify for the credit under paragraph (a), clause (1), the sale price of the
2.21 agricultural asset paid for by the beginning farmer must equal or exceed the assessed value
2.22 of the asset, or if there is no assessed value, 80 percent of the fair market value of the asset.

2.23 (2) This paragraph applies only when the beginning farmer or beginning farmer's spouse
2.24 is a family member of:

2.25 (i) the owner of the agricultural asset; or

2.26 (ii) a partner, member, shareholder, or trustee of the owner of the agricultural asset.

2.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
2.28 31, 2020.