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**Senate**

**State of Minnesota**

# S.F. No. 1228 – Modifying eligibility for beginning farmer tax credit for the sale of an agricultural asset (as proposed to be amended by the A-2 amendment)

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Under current law, owners of agricultural assets may claim an income tax credit for the sale or rental of agricultural assets to a beginning farmer. The credit amount depends on an applicable percentage of the sale price, gross rental income, or cash equivalent of gross rental income. A beginning farmer or their spouse must not be a family member, or a family member of a partner, member, shareholder, or trustee, of the owner of agricultural assets from whom the beginning farmer is seeking to purchase or rent agricultural assets.

**Section 1. Tax credit for owners of agricultural assets.** Allows sales of agricultural assets to family members (or spouses of family members) that are beginning farmers to qualify for the beginning farmer agricultural asset credit. In the case of sales of agricultural assets sold to a family member, to qualify for the credit the sale price must equal or exceed the assessed market value of the asset. If there is no assessed value of the asset, the sale price must equal or exceed 80 percent of the fair market value of the asset. Increases the credit percentage to ten percent for a "socially disadvantaged farmer or rancher," as defined under federal law.

**Section 2. Authority duties.** Reduces the amount of credit allocations available per year (currently $6 million) by five percent, and appropriates the same amount to the Rural Finance Authority to develop an online application system and administer the credit.

**Sections 1 and 2** are effective for taxable years 2022 to 2029.

**Section 3. Sunset.** Extends the credit to tax year 2029. Effective the day following final enactment.