

SENATE

STATE OF MINNESOTA

NINETY-FOURTH SESSION

S.F. No. 1419

(SENATE AUTHORS: PUTNAM, Weber, Hauschild, Dornink and Nelson)		
DATE	D-PG	OFFICIAL STATUS
02/17/2025	398	Introduction and first reading Referred to Taxes
03/06/2025	646a	Comm report: To pass as amended and re-refer to Agriculture, Veterans, Broadband, and Rural Development
	674	Author added Nelson See HF2446

1.1

A bill for an act

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relating to taxation; individual income; eliminating the cap on the available amount

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of the credit for owners of agricultural assets; amending Minnesota Statutes 2024,

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sections 41B.0391, subdivisions 1, 2, 4, 6; 290.06, subdivision 37.

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

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Section 1. Minnesota Statutes 2024, section 41B.0391, subdivision 1, is amended to read:

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Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have

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the meanings given.

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(b) "Agricultural assets" means agricultural land, livestock, facilities, buildings, and

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machinery used for farming in Minnesota.

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(c) "Beginning farmer" means an individual who:

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(1) is a resident of Minnesota;

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(2) is seeking entry, or has entered within the last ten years, into farming;

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(3) intends to farm land located within the state borders of Minnesota;

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(4) except as provided in subdivision 2, paragraph (f), is not and whose spouse is not a

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family member of the owner of the agricultural assets from whom the beginning farmer is

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seeking to purchase or rent agricultural assets;

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(5) except as provided in subdivision 2, paragraph (f), is not and whose spouse is not a

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family member of a partner, member, shareholder, or trustee of the owner of agricultural

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assets from whom the beginning farmer is seeking to purchase or rent agricultural assets;

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and

(6) meets the following eligibility requirements as determined by the authority:

(i) has a net worth that does not exceed the limit provided under section 41B.03, subdivision 3, paragraph (a), clause (2);

(ii) provides the majority of the day-to-day physical labor and management of the farm;

(iii) has, by the judgment of the authority, adequate farming experience or demonstrates knowledge in the type of farming for which the beginning farmer seeks assistance from the authority;

(iv) demonstrates to the authority a profit potential by submitting projected earnings statements;

(v) asserts to the satisfaction of the authority that farming will be a significant source of income for the beginning farmer;

(vi) is enrolled in or has completed within ten years of their first year of farming a financial management program approved by the authority or the commissioner of agriculture;

(vii) agrees to notify the authority if the beginning farmer no longer meets the eligibility requirements within the three-year certification period, in which case the beginning farmer is no longer eligible for credits under this section; and

(viii) has other qualifications as specified by the authority.

The authority may waive the requirement in item (vi) if the participant requests a waiver and has a four-year degree in an agricultural program or related field, reasonable agricultural job-related experience, or certification as an adult farm management instructor.

~~(d) "Emerging farmer" means an emerging farmer within the meaning of section 17.055, subdivision 1.~~

~~(e)~~ (d) "Family member" means a family member within the meaning of the Internal Revenue Code, section 267(c)(4).

~~(f)~~ (e) "Farm product" means plants and animals useful to humans and includes, but is not limited to, forage and sod crops, oilseeds, grain and feed crops, dairy and dairy products, poultry and poultry products, livestock, fruits, and vegetables.

~~(g)~~ (f) "Farming" means the active use, management, and operation of real and personal property for the production of a farm product.

(g) "Limited land access farmer" means a farmer experiencing limited land access as defined in section 17.133, subdivision 1.

(h) "Owner of agricultural assets" means an individual, trust, or pass-through entity that is the owner in fee of agricultural land or has legal title to any other agricultural asset. Owner of agricultural assets does not mean an equipment dealer, livestock dealer defined in section 17A.03, subdivision 7, or comparable entity that is engaged in the business of selling agricultural assets for profit and that is not engaged in farming as its primary business activity. An owner of agricultural assets approved and certified by the authority under subdivision 4 must notify the authority if the owner no longer meets the definition in this paragraph within the three year certification period and is then no longer eligible for credits under this section.

(i) "Resident" has the meaning given in section 290.01, subdivision 7.

(j) "Share rent agreement" means a rental agreement in which the principal consideration given to the owner of agricultural assets is a predetermined portion of the production of farm products produced from the rented agricultural assets and which provides for sharing production costs or risk of loss, or both.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2024.

Sec. 2. Minnesota Statutes 2024, section 41B.0391, subdivision 2, is amended to read:

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

(1) eight percent of the lesser of the sale price or the fair market value of the agricultural asset, up to a maximum of \$50,000;

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

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

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

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

agricultural assets must apply to the authority for certification ~~and allocation~~ of a credit, in a form and manner prescribed by the authority. Applications for credits allowed under paragraph (a), clause (1), are due by November 1, 2025, and each year thereafter.

Applications for credits allowed under paragraph (a), clauses (2) and (3), are due by July 1, 2025, and each year thereafter.

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

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

(f) For purposes of the credit for the sale of agricultural land only, the family member definitional exclusions in subdivision 1, paragraph (c), clauses (4) and (5), do not apply. For a sale to a family member to qualify for the credit, the sales price of the agricultural land must equal or exceed the assessed value of the land as of the date of the sale. For purposes of this paragraph, "sale to a family member" means a sale to a beginning farmer in which the beginning farmer or the beginning farmer's spouse is a family member of:

(1) the owner of the agricultural land; or

(2) a partner, member, shareholder, or trustee of the owner of the agricultural land.

(g) For a sale to ~~an emerging~~ a limited land access farmer, the credit rate under paragraph (a), clause (1), is twelve percent rather than eight percent.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2024.

Sec. 3. Minnesota Statutes 2024, section 41B.0391, subdivision 4, is amended to read:

Subd. 4. **Authority duties.** (a) The authority shall:

(1) approve and certify or recertify beginning farmers as eligible for the program under this section;

(2) approve and certify or recertify owners of agricultural assets as eligible for the tax credit under subdivision 2 ~~subject to the allocation limits in paragraph (c);~~

(3) provide necessary and reasonable assistance and support to beginning farmers for qualification and participation in financial management programs approved by the authority;

(4) refer beginning farmers to agencies and organizations that may provide additional pertinent information and assistance; and

(5) notwithstanding section 41B.211, the Rural Finance Authority must share information with the commissioner of revenue to the extent necessary to administer provisions under this subdivision and section 290.06, subdivisions 37 and 38. The Rural Finance Authority must annually notify the commissioner of revenue of approval and certification or recertification of beginning farmers and owners of agricultural assets under this section. ~~For credits under subdivision 2, the notification must include the amount of credit approved by the authority and stated on the credit certificate.~~

(b) The certification of a beginning farmer or an owner of agricultural assets under this section is valid for the year of the certification and the two following years, after which time the beginning farmer or owner of agricultural assets must apply to the authority for recertification.

~~(c) For credits for owners of agricultural assets allowed under subdivision 2, the authority must not allocate more than \$6,500,000 for taxable years beginning after December 31, 2022, and before January 1, 2024, and \$4,000,000 for taxable years beginning after December 31, 2023. The authority must allocate credits on a first-come, first-served basis beginning on January 1 of each year, except that recertifications for the second and third years of credits under subdivision 2, paragraph (a), clauses (1) and (2), have first priority. Any amount authorized but not allocated for taxable years ending before January 1, 2023, is canceled and is not allocated for future taxable years. For taxable years beginning after December 31, 2022, any amount authorized but not allocated in any taxable year does not cancel and is added to the allocation for the next taxable year. For each taxable year, 50 percent of newly allocated credits must be allocated to emerging farmers. Any portion of a taxable year's newly allocated credits that is reserved for emerging farmers that is not allocated by September 30 of the taxable year is available for allocation to other credit allocations beginning on October 1.~~

6.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
6.2 31, 2024.

6.3 Sec. 4. Minnesota Statutes 2024, section 41B.0391, subdivision 6, is amended to read:

6.4 Subd. 6. **Report to legislature.** (a) No later than February 1, 2024, the Rural Finance
6.5 Authority, in consultation with the commissioner of revenue, must provide a report to the
6.6 chairs and ranking minority members of the legislative committees having jurisdiction over
6.7 agriculture, economic development, rural development, and taxes, in compliance with
6.8 sections 3.195 and 3.197, on the beginning farmer tax credits under this section issued in
6.9 tax years beginning after December 31, 2017, and before January 1, 2024.

6.10 (b) The report must include background information on beginning farmers in Minnesota
6.11 and any other information the commissioner and authority find relevant to evaluating the
6.12 effect of the credits on increasing opportunities for and the number of beginning farmers.

6.13 (c) For credits issued under subdivision 2, paragraph (a), clauses (1) to (3), the report
6.14 must include:

6.15 (1) the number and amount of credits issued under each clause;

6.16 (2) the geographic distribution of credits issued under each clause;

6.17 (3) the type of agricultural assets for which credits were issued under clause (1);

6.18 (4) the number and geographic distribution of beginning farmers whose purchase or
6.19 rental of assets resulted in credits for the seller or owner of the asset;

6.20 (5) the number and amount of credits disallowed under subdivision 2, paragraph (d);
6.21 and

6.22 (6) data on the number of beginning farmers by geographic region in calendar years
6.23 2017 through 2023, including:

6.24 (i) the number of beginning farmers by race and ethnicity, as those terms are applied in
6.25 the 2020 United States Census; and

6.26 (ii) to the extent available, the number of beginning farmers who are emerging limited
6.27 land access farmers; and.

6.28 ~~(7) the number and amount of credit applications that exceeded the allocation available~~
6.29 ~~in each year.~~

6.30 (d) For credits issued under subdivision 3, the report must include:

6.31 (1) the number and amount of credits issued;

(2) the geographic distribution of credits;

(3) a listing and description of each approved financial management program for which credits were issued; and

(4) a description of the approval procedure for financial management programs not on the list maintained by the authority, as provided in subdivision 3, paragraph (a).

EFFECTIVE DATE. This section is effective for reports due for credits issued for taxable years beginning after December 31, 2024.

Sec. 5. Minnesota Statutes 2024, section 290.06, subdivision 37, is amended to read:

Subd. 37. **Beginning farmer incentive credit.** (a) A beginning farmer incentive credit is allowed against the tax due under this chapter for the sale or rental of agricultural assets to a beginning farmer according to section 41B.0391, subdivision 2, ~~and is limited to the amount stated on the certificate issued under section 41B.0391, subdivision 4.~~

(b) The credit may be claimed only after approval and certification by the Rural Finance Authority according to section 41B.0391.

(c) The credit is limited to the liability for tax, as computed under this chapter, for the taxable year. If the amount of the credit determined under this subdivision for any taxable year exceeds this limitation, the excess is a beginning farmer incentive credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year is carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this paragraph must not exceed the taxpayer's liability for tax, less the beginning farmer incentive credit for the taxable year.

(d) Credits allowed to a partnership, a limited liability company taxed as a partnership, an S corporation, or multiple owners of property are passed through to the partners, members, shareholders, or owners, respectively, pro rata to each based on the partner's, member's, shareholder's, or owner's share of the entity's assets or as specially allocated in the organizational documents or any other executed agreement, as of the last day of the taxable year.

(e) For a nonresident or part-year resident, the credit under this section must be allocated using the percentage calculated in section 290.06, subdivision 2c, paragraph (e).

(f) Notwithstanding the approval and certification by the Rural Finance Authority under section 41B.0391, the commissioner may utilize any audit and examination powers under

8.1 chapter 270C or 289A to the extent necessary to verify that the taxpayer is eligible for the
8.2 credit and to assess for the amount of any improperly claimed credit.

8.3 (g) This subdivision expires at the same time and on the same terms as section 41B.0391,
8.4 except that the expiration of this subdivision does not affect the commissioner of revenue's
8.5 authority to audit or power of examination and assessment for credits claimed under this
8.6 subdivision.

8.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
8.8 31, 2024.