



# Minnesota Beginning Farmer Tax Credit

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Pursuant to MINN. STAT. 3.197, the cost of preparing this report was approximately \$900.00.

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## Executive Summary

Through the first 3 years of the program, over \$6.8 million worth of tax credits have been claimed by asset owners across the state and over \$1.2 million worth of educational credits have been claimed by beginning farmers. Going into 2022, there is approximately \$19 million available for tax credits.

## Introduction

This report will present the first 3 years' worth of tax credit usage under the program as well as an estimate of the funds that remain available. The tax credit usage for 2021 will not be available until after the closing of the 2021 tax filing season at which point this report can be updated.

## Background

On May 30, 2017, Governor Mark Dayton signed into law a Tax Credit for Minnesota farmers. This law provides an incentive in the form of tax credits to asset owners for the rent or sale of farmland or a variety of farm assets to beginning farmers as well as an educational tax credit to beginning farmers to offset educational expenses. The program sunsets at the end of calendar year 2023.

The Minnesota Department of Agriculture's Rural Finance Authority (RFA) administers this \$36 million dollar program that started with a base of \$5 million dollars in year one and adds an additional \$6 million in available funds each year through calendar year 2023.

General eligibility for beginning farmers is that they are Minnesota farmers who have entered into farming within the last 10 years and have a lower net worth with a limit tied to the Minnesota Beginning Farmer Loan Program. The beginning farmer must also be enrolled in or have completed farm financial management courses.

General eligibility for agricultural asset owners is that then not be directly related to either the beginning farmer and their spouse (aunt/uncle or further removed). The asset owner is entitled to a credit as follows:

- 5% of the lesser of the sale price or fair market value of the agricultural asset up to a maximum of \$32,000;
- 10% of the gross rental income in each of the 1st, 2nd, and 3rd years of the rental agreement, up to a maximum of \$7,000 per year, or
- 15% of the cash equivalent of the gross rental income in each of the 1st, 2nd, and 3rd years of a share rent agreement, up to a maximum of \$10,000 per year.

The agricultural asset owner can claim credits in one of the above categories in a given tax year up to the maximums stated.

# Tax Credits Issued

## Credit for Transfer of Agricultural Assets

Tax Year	Count	Amount	Carryover Count	Carryover Amount
2018	407	\$2,010,511	-	\$0
2019	540	\$2,404,652	55	\$197,139
2020	620	\$2,454,443	90	\$322,542

## Beginning Farmer Management Credit

Tax Year	Count	Amount	Carryover Count	Carryover Amount
2018	325	\$317,016	-	\$0
2019	418	\$434,893	41	\$39,870
2020	382	\$472,457	81	\$79,081

# Tax Credits Issued by Category

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### 2018 Credits Approved

Lease	Amount
367	\$1,033,024

Purchase	Amount
50	\$1,052,032

Share Crop	Amount
22	\$191,604

### 2019 Tax Approved

Lease	Amount
528	\$1,443,093

Purchase	Amount
55	\$1,122,001

Share Crop	Amount
23	\$211,450

### 2020 Tax Approved

Lease	Amount
603	\$1,665,809

Purchase	Amount
51	\$1,062,398

Share Crop	Amount
27	\$241,746

# Tax Credits Issued by Geography

## Credit for Transfer of Agricultural Assets

### Tax Year 2018

Region	Count	Amount
Northeast	*	*
Northwest	28	\$114,042
Southeast	48	\$189,613
Southwest	190	\$1,000,485
Twin Cities Metro	42	\$147,625
West Central	53	\$272,836
NonResident/Unknown	46	\$285,910
Total	407	\$2,010,511

### Tax Year 2019

Region	Count	Amount
Northeast	*	*
Northwest	41	\$201,808
Southeast	54	\$304,548
Southwest	255	\$1,193,229
Twin Cities Metro	61	\$298,115
West Central	80	\$312,532
NonResident/Unknown	49	\$94,420
Total	540	\$2,404,652

\*Fewer than 10 credits. Amounts are combined with another cell.

## Beginning Farmer Management Credit

### Tax Year 2018

Region	Count	Amount
Northeast	*	*
Northwest	32	\$24,564
Southeast	42	\$44,701
Southwest	199	\$205,294
Twin Cities Metro	*	*
West Central	52	\$42,457
Total	325	\$317,016

### Tax Year 2019

Region	Count	Amount
Northeast	*	*
Northwest	30	\$30,417
Southeast	72	\$77,903
Southwest	254	\$270,855
Twin Cities Metro	10	\$10,078
West Central	52	\$45,640
Total	418	\$434,893

\*Fewer than 10 credits. Amounts are combined with another cell.

**Northeast region** includes Aitkin, Carlton, Cook, Itasca, Kanabec, Lake, Mille Lacs, Pine, and St Louis counties.

**Northwest region** includes Beltrami, Cass, Clearwater, Hubbard, Kittson, Koochiching, Lake of the Woods, Mahanomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau counties.

**Southeast region** includes Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona counties.

**Southwest region** includes Big Stone, Blue Earth, Brown, Chippewa, Cottonwood, Faribault, Jackson, Kandiyohi, Lac Qui Parle, Le Sueur, Lincoln, Lyon, Martin, McLeod, Meeker, Murray, Nicollet, Nobles, Pipestone, Redwood, Renville, Rock, Sibley, Swift, Waseca, Watonwan, and Yellow Medicine counties.

**West Central region** includes Becker, Benton, Clay, Crow Wing, Douglas, Grant, Morrison, Otter Tail, People, Sherburne, Stearns, Stevens, Todd, Traverse, Wadena, Wilkin, and Wright counties.

**Twin Cities Metro region** includes Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, and Washington counties.

Geocoding for geographical distribution of tax credits is not yet available for year 2020.

## Approved Farm Financial Programs

Ag Country Farm Services  
Big River Farms – Farmer Education Program  
Farmer’s Courses  
Land Stewardship Project  
Minnesota State Colleges and Universities  
North Dakota State College of Science  
Small Far start-up workshops – UMN Extension  
Southwest Minnesota Farm Business Management Association

## Independent Farm Business Management Instructors

Gary A. Thome  
Steve Notch  
Marty Little  
Kurt Schoephoerster  
Suzann Skaar  
James Ouverson  
Eric Vandendriessche  
DBA Seales  
David C. Larson  
Mark Nowak  
Dan Perkins  
Robert Stommes

## **Farm Financial Approval Process**

The RFA will accept farm financial courses from accredited institutions. Independent Farm Financial Managers must submit a resume and a description of the course work they provide to be considered for approval.