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# Beginning Farmer Tax Credit

2023 Legislative Report

2/1/2024

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# Overview

## Background

Established in 2018, the Minnesota Beginning Farmer Tax Credit provides nonrefundable state tax credits to asset owners who rent or sell farmland, equipment, livestock, and other agricultural assets to beginning farmers. Beginning farmers are defined as farmers who have entered farming in the last ten years. According to the most recent [USDA NASS Agriculture Census from 2017](#), there are approximately 89,383 principal producer farmers in Minnesota and 16,910 (19%) of them are considered beginning farmers.

The Beginning Farmer Tax Credit is administered by the Minnesota Department of Agriculture's (MDA) Rural Finance Authority (RFA) with the goal to support farmland access. The program provides beginning farmers a potential advantage for negotiating leases and purchases — incentive for asset owners to lease and sell to them.

Minnesota is one of six states with similar tax credits, joining Iowa, Kentucky, Nebraska, Ohio, and Pennsylvania. The MDA is a leader in farmland access programs across the country with this program as well as the [Down Payment Assistance Grant](#), [Beginning Farmer Loans](#), and [FarmLink](#) directory.

## Funding

The Minnesota Legislature initially funded the tax credit for \$5 million in 2018 and appropriated an additional \$6 million each year from 2019 to 2022.

In 2023, the Minnesota Legislature removed rollover funding and allocated \$6.5 million for asset owner tax credits in 2023. It also reduced future allocations to \$4 million each year from 2024 to 2030, when the program is scheduled to sunset.

## Asset Owner Tax Credits

In 2023, 741 tax credits were issued to asset owners, totaling \$6.5 million dollars. The tables below report the historic number and amount of tax credits issued, as well as the number, amount, and geographic distribution of tax credits issued in 2023 by asset type. No asset owner or beginning farmer wrote to terminate their rental agreement, disallowing their credit.

For the first time in the program's six-year history, application requests exceeded available funding in 2023. Requests more than doubled from previous years, likely due to increased outreach, publicity, and legislative changes made in 2023 to expand tax credits for farmland sales. The RFA denied five applications that exceeded the \$6.5 million allocation and partially funded one. Unfunded requests totaled \$98,521.

**Table 1: Historic asset owner tax credits.**

	Number	Amount Issued	Average Credit
2018	439	\$2,277,057	\$5,187
2019	585	\$2,704,654	\$4,623
2020	667	\$2,874,802	\$4,310
2021	650	\$3,209,528	\$4,938
2022	642	\$3,143,550	\$4,896
2023	741	\$6,500,000	\$8,772

**Table 2: Number and amount of tax credits issued to asset owners in 2023 by type.**

	<b>Total Credits</b>	<b>Land Sales</b> <i>8 or 12% of sale price; \$50K maximum</i>	<b>Other Sales</b> <i>5% of sale price; \$32K maximum (livestock, equipment, facilities)</i>	<b>Cash Leases</b> <i>10% of annual rent; \$7K maximum</i>	<b>Share Crop Leases</b> <i>15% of annual rent; \$10K maximum</i>
<b>Number</b>	<b>741</b>	118 16%	7 1%	572 77%	44 6%
<b>Amount</b>	<b>\$6,500,000</b>	\$4,355,905 67%	\$14,169 <1%	\$1,834,784 28%	\$295,142 5%
<b>Average</b>	<b>\$8,772</b>	\$36,914	\$2,024	\$3,208	\$6,708

**Table 3: Geographic distribution of tax credits issued to asset owners in 2023 by type.**

	<b>Total Credits</b>	<b>Land Sales</b>	<b>Other Sales</b>	<b>Cash Leases</b>	<b>Share Crop Leases</b>
<b>Aitkin</b>	<b>0</b>				
<b>Anoka</b>	<b>1</b>			1	
<b>Becker</b>	<b>2</b>			2	
<b>Beltrami</b>	<b>0</b>				
<b>Benton</b>	<b>0</b>				
<b>Big Stone</b>	<b>10</b>	2		8	
<b>Blue Earth</b>	<b>32</b>	3		28	1
<b>Brown</b>	<b>14</b>	4		10	

	<b>Total Credits</b>	<b>Land Sales</b>	<b>Other Sales</b>	<b>Cash Leases</b>	<b>Share Crop Leases</b>
<b>Carlton</b>	<b>0</b>				
<b>Carver</b>	<b>1</b>			<b>1</b>	
<b>Cass</b>	<b>2</b>	<b>2</b>			
<b>Chippewa</b>	<b>27</b>	<b>5</b>		<b>22</b>	
<b>Chisago</b>	<b>1</b>	<b>1</b>			
<b>Clay</b>	<b>5</b>			<b>5</b>	
<b>Clearwater</b>	<b>4</b>			<b>4</b>	
<b>Cook</b>	<b>0</b>				
<b>Cottonwood</b>	<b>40</b>	<b>3</b>		<b>29</b>	<b>8</b>
<b>Crow Wing</b>	<b>0</b>				
<b>Dakota</b>	<b>1</b>			<b>1</b>	
<b>Dodge</b>	<b>6</b>			<b>6</b>	
<b>Douglas</b>	<b>7</b>			<b>7</b>	
<b>Faribault</b>	<b>20</b>	<b>1</b>		<b>18</b>	<b>1</b>
<b>Fillmore</b>	<b>5</b>	<b>2</b>		<b>3</b>	
<b>Freeborn</b>	<b>28</b>	<b>6</b>		<b>22</b>	
<b>Goodhue</b>	<b>7</b>	<b>2</b>		<b>5</b>	
<b>Grant</b>	<b>1</b>	<b>1</b>			

	<b>Total Credits</b>	<b>Land Sales</b>	<b>Other Sales</b>	<b>Cash Leases</b>	<b>Share Crop Leases</b>
<b>Hennepin</b>	<b>0</b>				
<b>Houston</b>	<b>0</b>				
<b>Hubbard</b>	<b>1</b>	<b>1</b>			
<b>Isanti</b>	<b>1</b>	<b>1</b>			
<b>Itasca</b>	<b>0</b>				
<b>Jackson</b>	<b>19</b>	<b>2</b>		<b>16</b>	<b>1</b>
<b>Kanabec</b>	<b>0</b>				
<b>Kandiyohi</b>	<b>4</b>	<b>1</b>		<b>3</b>	
<b>Kittson</b>	<b>4</b>			<b>4</b>	
<b>Koochiching</b>	<b>0</b>				
<b>Lac qui Parle</b>	<b>12</b>	<b>1</b>		<b>0</b>	
<b>Lake</b>	<b>0</b>				
<b>Lake of the Woods</b>	<b>0</b>				
<b>Le Sueur</b>	<b>9</b>			<b>9</b>	
<b>Lincoln</b>	<b>19</b>			<b>19</b>	
<b>Lyon</b>	<b>56</b>	<b>14</b>		<b>40</b>	<b>2</b>
<b>Mahnomen</b>	<b>7</b>			<b>7</b>	
<b>Marshall</b>	<b>3</b>			<b>3</b>	



	Total Credits	Land Sales	Other Sales	Cash Leases	Share Crop Leases
Martin	33	3		29	1
McLeod	19	2			
Meeker	7			7	
Mille Lacs	0				
Morrison	0				
Mower	7	2		5	
Murray	29	1		24	4
Nicollet	12	2		9	1
Nobles	23	2		20	1
Norman	7	2		4	1
Olmsted	14	1		13	
Otter Tail	2	1		1	
Pennington	12	2		4	6
Pine	0				
Pipestone	18	2		13	3
Polk	19	4		15	
Pope	3	1		2	
Ramsey	0				

	Total Credits	Land Sales	Other Sales	Cash Leases	Share Crop Leases
Red Lake	3	3			
Redwood	19	2		13	4
Renville	36	2		33	1
Rice	5			5	
Rock	16	1		13	2
Roseau	0				
Scott	1	1			
Sherburne	0				
Sibley	8	3	1	4	
St Louis	0				
Stearns	5	3		2	
Steele	10	4		4	2
Stevens	12	5		7	
Swift	1			1	
Todd	5	3		2	
Traverse	14	4		9	1
Wabasha	4			4	
Wadena	0				

	Total Credits	Land Sales	Other Sales	Cash Leases	Share Crop Leases
Waseca	6	1		4	1
Washington	0				
Watsonwan	5			4	1
Wilkin	1	1			
Winona	2	1		1	
Wright	4			4	
Yellow Medicine	25	5	1	17	2

# Beginning Farmer Credits

## Overview

Beginning farmers must complete an approved farm business management program (FBM) for their asset owners to receive the tax credit. Beginning farmers may request a waiver from this requirement if they have already completed one of the RFA's approved programs, have a four-year agricultural degree, or reasonable work experience in farm finance. The Beginning Farmer Tax Credit will reimburse beginning farmers for their FBM tuition in the form of a nonrefundable state tax credit. They are eligible for this tax credit for up to three years, and it has an annual maximum of \$1,500.

To approve FBM programs, the RFA reviews a summary of the education provided and bios of the instructors. A list of approved programs and their descriptions can be found on the [MDA's FBM web page](#).

## 2023 and Historic Data

In 2023, the RFA issued 285 tax credits to beginning farmers, totaling \$308,411. Forty-three percent (213 farmers) chose to waive the FBM tuition reimbursement or had already received the maximum three years and were no longer eligible. Almost half (120 farmers) who applied for the tax credit applied for the “tuition only” tax credit just to reimburse their FBM tuition, without an asset owner.

The tables below report the historic number, amount, and geographic distribution of credits issued to beginning farmers. The RFA does not have geographic distribution of beginning farmers that received tax credits before 2022. It also does not have historic data on beginning farmers’ race and ethnicity or whether they are considered emerging farmers but plans to collect this information in future years.

**Table 4: Historic beginning farmer credits.**

	<b>Total Number of Beginning Farmers</b>  (Includes BFs w/ FBM waivers and 3-yr max)	<b>Number of Beginning Farmer Credits Issued</b>	<b>Amount Issued</b>	<b>Average Credit</b>
2018	382	377	\$359,061	\$940
2019	545	529	\$545,789	\$1,032
2020	479	437	\$523,444	\$1,198
2021	461	347	\$386,196	\$1,113
2022	393	257	\$291,815	\$1,135
2023	498	285	\$308,411	\$1,082

**Table 4: 2022 and 2023 geographic distribution of beginning farmers that received tax credits.**

	<b>2022</b>	<b>2023</b>
Aitkin		1
Anoka		2
Becker	5	5

	2022	2023
Beltrami		5
Benton		2
Big Stone	2	4
Blue Earth	8	5
Brown	8	9
Carlton		
Carver		
Cass		2
Chippewa	6	10
Chisago		2
Clay		2
Clearwater		
Cook		
Cottonwood	10	12
Crow Wing		1
Dakota	1	1
Dodge	3	2
Douglas	5	2

	2022	2023
Faribault		5
Fillmore	6	4
Freeborn	10	12
Goodhue	6	5
Grant	2	1
Hennepin	1	3
Houston	1	2
Hubbard		
Isanti		1
Itasca	1	
Jackson	4	4
Kanabec		
Kandiyohi		
Kittson		
Koochiching		
Lac qui Parle		4
Lake		
Lake of the Woods		

	2022	2023
Le Sueur	1	4
Lincoln	10	3
Lyon	19	17
Mahnomen		1
Marshall		2
Martin	13	10
McLeod	5	3
Meeker	2	4
Mille Lacs	1	
Morrison		4
Mower	6	6
Murray	8	8
Nicollet	4	7
Nobles	5	4
Norman	1	1
Olmsted	3	2
Otter Tail	2	5
Pennington	1	1



	2022	2023
Pine		1
Pipestone	15	11
Polk	5	4
Pope	2	
Ramsey	1	1
Red Lake	1	
Redwood	5	12
Renville	6	7
Rice	2	1
Rock	4	
Roseau		
Scott		
Sherburne		2
Sibley	2	4
St Louis		2
Stearns	4	6
Steele	5	2
Stevens	3	3

	2022	2023
Swift	3	
Todd	1	6
Traverse	4	6
Wabasha	2	3
Wadena		4
Waseca	5	2
Washington		
Watonwan	2	3
Wilkin	2	2
Winona	4	8
Wright		1
Yellow Medicine	10	7