



**DEPARTMENT OF  
AGRICULTURE**

RURAL FINANCE AUTHORITY

# Beginning Farmer Tax Credit

# BEGINNING FARMER TAX CREDIT

- ▶ Governor Dayton signed into law on May 30
- ▶ Effective after January 1, 2018
- ▶ Similar to Iowa and Nebraska, Minnesota 1<sup>st</sup> state to include the sale of ag assets


# BEGINNING FARMER TAX CREDIT

## Requirements of the beginning farmer:

- ▶ Resident of MN
- ▶ Has farmed less than 10 years (Schedule F)
- ▶ Farm land in MN
- ▶ Asset owner cannot be family or family of a spouse (grandparents, parents, children, grandchildren, brothers, sisters)
- ▶ Has a net worth below \$800,000
- ▶ Does majority of the farm labor and management

# BEGINNING FARMER TAX CREDIT

## Requirements of the beginning farmer:

- ▶ Has adequate farming experience
  - ▶ Submit projected earnings statement
  - ▶ Farming will be a significant source of income
  - ▶ Participate in a financial management program
- 

# BEGINNING FARMER TAX CREDIT

## Other Definitions:

- ▶ Agricultural Asset= Ag land, livestock, facilities, buildings, and machinery
- ▶ Owner of agricultural asset= Individual, trust, or pass through entity. Cannot be an equipment dealer or livestock dealer

# BEGINNING FARMER TAX CREDIT

## The credit to the agricultural asset owner is as follows:


- ▶ Take a credit against the tax due
- ▶ 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.

# BEGINNING FARMER TAX CREDIT

## Steps to apply:

- ▶ MN Department of Agriculture website
- ▶ Beginning Farmer and Asset Owner to complete applications
- ▶ RFA will issue a tax certificate

# BEGINNING FARMER TAX CREDIT

- ▶ Tax year 2018, capped at \$5 million
  - ▶ Tax year 2019-2023, capped at \$6 million
  - ▶ Sunset 12/31/2023
- 
- A decorative graphic consisting of several parallel white lines of varying lengths and orientations, located in the bottom right corner of the slide.





625 Robert Street North  
Saint Paul, MN 55155-2538

[WWW.MDA.STATE.MN.US](http://WWW.MDA.STATE.MN.US)



## Beginning Farmer Tax Credit Fact Sheet

On May 30, 2017, Governor Mark Dayton signed into law a Tax Credit for Minnesota beginning farmers. The new law will provide tax credits for the rent or sale of farm land or a variety of farm assets to beginning farmers. While similar to tax credits in Iowa or Nebraska, Minnesota will become the first state to provide incentives for the sale of farm land.

### A Beginning Farmer is defined as:

- A Minnesota resident who is seeking entry, or has entered into farming within the last 10 years
- A farmer who will provide the majority of the labor and management of the farm that is located in Minnesota
- Has adequate experience and knowledge of the type of farming for which they seek assistance from the Rural Finance Authority
- Can provide positive projected earnings statements
- Is not directly related to the owner of the agricultural asset
- Has a net worth that does not exceed the limit provided under section 41B.03, subdivision 3, paragraph (a), clause (2). Currently this limit is \$800,000.

The beginning farmer will need to participate in an approved financial management program. Costs of financial management programs up to a maximum of \$1,500 per year (for up to 3 years) may also be eligible for a tax credit. The financial management credit need not be tied to any agricultural asset sale or rental.

### Definition of "Agricultural Asset":

- Agricultural land, livestock, facilities, buildings and machinery used for farming in Minnesota

### The credit to the agricultural asset owner is 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.


### Role of the Rural Finance Authority (RFA)

The RFA will administer the tax credits by:

- Certifying beginning farmers
- Assisting beginning farmers with locating eligible financial management program options in their area
- Certifying that owners of agricultural assets are eligible for the tax credit. This is a first come, first served initiative. The maximum amount available in 2018 is \$5 million. This increases to \$6 million per year in 2019 thru tax year 2023. The asset owner may be an individual, trust, a qualified pass-through entity.

In accordance with the Americans with Disabilities Act, this information is available in alternative forms of communication upon request by calling 651-201-6000. TTY users can call the Minnesota Relay Service at 711. The MDA is an equal opportunity employer and provider.

# BEGINNING FARMER MANAGEMENT TAX CREDIT

- ▶ Beginning farmer gets a tax credit for participating in a financial management program
  - ▶ Credit is equal to 100% of the cost of the program not to exceed \$1,500 per year
  - ▶ Up to 3 years
  - ▶ Can also use Beginning Farmer FBM Scholarship
- 



**DEPARTMENT OF  
AGRICULTURE**

RURAL FINANCE AUTHORITY

