

April 1, 2025

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 1428 (Weber), 1st Engrossment

	Fund Impact			
	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Effective August 1, 2025.

EXPLANATION OF THE BILL

Current Law: The beginning farmer credit is a credit against the individual income tax or corporate franchise tax for the rent or sale of agricultural assets to beginning farmers. An agricultural asset includes land, livestock, facilities, buildings, and machinery used for farming in Minnesota. A beginning farmer must be a Minnesota resident who is seeking entry or has entered farming within the last 10 years, and who will provide most of the labor and management of the farm that is located in Minnesota, among other requirements. The beginning farmer must have adequate experience and knowledge of farming, be able to provide positive projected earnings statements, and have a net worth that does not exceed the eligibility limit for beginning farmer loans, among other requirements.

The credit is equal to one of the following:

- 8% of the lesser of the sale price or the fair market value of the agricultural asset, up to a maximum of \$50,000;
 - For a sale to an emerging farmer the credit rate is increased to 12%,
- 10% 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
- 15% 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.

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 sale.

Each year, 50% of newly allocated credits are reserved for emerging farmers. Any reserved credits not allocated by September 30 are available for allocation to others beginning on October 1. Emerging farmers are defined in statute as farmers or aspiring farmers who are women, veterans, persons with disabilities, American Indian or Alaskan Natives, members of a community of color, young, and urban, and any other emerging farmers as determined by the Commissioner of Agriculture.

EXPLANATION AND ANALYSIS OF THE BILL (Cont.)

The credit is nonrefundable but may be carried forward for up to 15 years. The total value of credits allocated by the RFA is capped at \$4 million per year beginning in 2024. Certificates for the credit are issued on a first-come first-served basis, but with a preference for some recertifications. The credit will expire after tax year 2030.

Proposed Law: The bill expands the definition of “beginning farmer” to include a limited liability company owned by an individual, or up to two individuals who are spouses or family members, who meet the current definition of a beginning farmer.

REVENUE ANALYSIS DETAIL

- About \$5.2 million in credits were claimed in tax year 2023 on about 600 returns.
- The bill may affect who receives the credit but will not affect the total, since the maximum credits are expected to be allocated each year.

Minnesota Department of Revenue
Tax Research Division
[https://www.revenue.state.mn.us/
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