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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 (*This includes parents, grandparents, brothers, sisters, spouses, children, and grandchildren. Legal adoption shall be considered in full effect*)
- 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.