

HB 387 -- TAX INCENTIVES FOR BEGINNING FARMERS

SPONSOR: Hoskins

COMMITTEE ACTION: Voted "Do Pass" by the Standing Committee on Economic Development and Business Attraction and Retention by a vote of 11 to 0.

This bill authorizes an agricultural assets transfer agreement tax credit for an eligible taxpayer for all taxable years beginning on January 1, 2016, in order to facilitate the transfer of agricultural assets from the taxpayer to a beginning farmer. The credit cannot be refunded, carried forward or back, transferred, sold, or assigned. To qualify for the tax credit, the taxpayer must be able to acquire, obtain, or lease agricultural land in the state, execute an agricultural assets transfer agreement with a beginning farmer, agree to repay the amount of any credits received if the land does not remain in production for at least 10 years, and any other criteria required by the Department of Agriculture by rule. The agreement must provide for the lease of the agricultural land, may provide for the rental of agricultural equipment, and must be a nontransferable written lease made on a cash or commodity sharing basis for at least 10 years that cannot be subleased. For an agreement that includes a lease on a cash basis, the taxpayer may claim a credit equal to 7% of the gross amount paid to the taxpayer. For an agreement that includes a lease on a commodity share basis, the taxpayer may claim a credit equal to 17% of the amount paid to the taxpayer exclusively from the sale of crops or livestock sold under the agreement.

The bill also authorizes a credit for all taxable years beginning on January 1, 2016, against the income tax of a qualifying taxpayer in order to encourage taxpayers who are considering custom farming agricultural land to negotiate with a beginning farmer. To qualify for the credit, a taxpayer must be a person who may acquire, obtain, or lease agricultural land in the state and meet any other qualification established by the department. A credit is allowed for the amount paid by the taxpayer to a qualified beginning farmer under a custom farming contract. The contract must provide for the production of crops located on agricultural land or the production of livestock principally located on agricultural land. The contract must require the taxpayer to pay the beginning farmer on a cash basis for not more than 12 months and the total payment must be at least \$1,000. The taxpayer may claim a tax credit equal to 7% of the gross amount paid to the beginning farmer under the contract.

The department must not approve an application or issue a tax credit certificate to a taxpayer in excess of \$50,000 under each

program. The total amount of tax credits that may be issued under both programs in a fiscal year is \$12 million, with \$8 million allocated for the agricultural assets transfer tax credit and \$4 million allocated for the custom farming contract tax credit. The tax credits are not refundable or transferable and may not be carried back to any previous tax year but may be carried forward for up to five tax years. If a taxpayer is at fault for terminating an agricultural assets transfer agreement or a custom farming contract, the taxpayer must pay back the amount of any tax credits claimed under the program.

The bill authorizes an individual tax deduction equal to 50% of the income realized from the sale of agricultural or horticultural property sold to a beginning farmer, to the extent that the amount is included in federal adjusted gross income when determining the individual's Missouri adjusted gross income. If the agricultural or horticultural property ceases to be classified as such within 10 years of being sold, the taxpayer must include the amount of the deduction previously received as income in the year the property changes classification.

The bill establishes a Beginning Farmer Center as part of the University of Missouri Extension Program to assist individuals in beginning farming operations as specified in the bill. On or before January 1 of each year, the center must submit a report to the General Assembly that includes recommendations for methods by which more individuals may be encouraged to enter agriculture.

PROPONENTS: Supporters say that the average age of a Missouri farmer is 56 and continues to get older. Currently, there is no incentive to sell land to someone with minimal experience. This tax incentive would entice more young people to farm. The number one industry in Missouri is agriculture. Missouri has the second highest number of farms in the country. The bill creates a mentoring program and support system for beginning farmers.

Testifying for the bill were Representative Hoskins; David Baker, University of Missouri; Missouri Corn Growers Association; Missouri Farm Bureau; Missouri Soybean Association; Missouri Pork Association; and Ryan Messner, Missouri Cattlemen's Association.

OPPONENTS: There was no opposition voiced to the committee.