HB 387 -- TAX INCENTIVES FOR BEGINNING FARMERS

SPONSOR: Hoskins

The bill authorizes an agricultural assets transfer agreement tax credit 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 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. The assets transfer agreement provides 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 can not be subleased. For a lease on a cash basis, the taxpayer may claim a credit equal to 7% of the gross amount paid to the taxpayer. For 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 customer farming agricultural land to negotiate 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 set by the department. A credit is allowed for the amount paid by the taxpayer to a beginning farmer under a custom farming contract, which provides for the production of crops located on agricultural land or the production of livestock located on agricultural land. The contract will 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 tax credit will be equal to 7% of the gross amount paid to the beginning farmer.

A taxpayer may not be issued a tax credit in excess of $50,000 under each program in a given tax year. 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.

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