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S.B. 159

133rd General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsors: Sen. Peterson

Mackenzie Damon, Attorney

SUMMARY

- Authorizes a nonrefundable income tax credit for beginning farmers who attend a financial management program.
- Authorizes a nonrefundable income tax credit for individuals or businesses that sell or rent farmland, livestock, buildings, or equipment to beginning farmers.
- Requires the Department of Agriculture to certify individuals as beginning farmers and to approve eligible financial management programs.

DETAILED ANALYSIS

Tax credits to assist beginning farmers

The bill authorizes two income tax credits designed to assist beginning farmers: one for beginning farmers that attend a financial management program and another for individuals or businesses that sell or rent farmland, livestock, buildings, or equipment to beginning farmers.

Beginning farmers

Before either credit may apply, an individual must first apply to be certified as a beginning farmer by the Department of Agriculture. A beginning farmer is an individual who does all of the following:

1. Intends to farm in Ohio, or has been farming in Ohio for less than ten years.
2. Has a household net worth of less than $800,000. This limit applies to 2019 and will be adjusted for inflation in future years.
3. Provides the majority of the day-to-day labor for and management of the farm.
4. Has adequate farming experience or demonstrates adequate knowledge about farming.
5. Submits projected earnings statements and demonstrates a profit potential.
6. Demonstrates that farming will be a significant source of the individual's income.

7. Participates in a financial management program approved by the Department of Agriculture.
8. Meets any other requirements set by the Department of Agriculture.[1]

Tax credit for participation in a financial management program

The bill allows an income tax credit for beginning farmers who participate in a financial management program approved by the Department of Agriculture. The credit equals the cost of attending the program.

The credit is nonrefundable, but if the credit exceeds the beginning farmer's tax liability for the year in which it is claimed, the beginning farmer can carry forward any excess credit for up to three succeeding years.[2]

The bill requires the Director of Agriculture to approve eligible programs and to maintain a list of approved programs on the Department's website.[3]

Tax credit for the sale or rental of farm assets

The bill also authorizes a credit for individuals or businesses that sell or rent "agricultural assets" to beginning farmers. Agricultural assets include land, livestock, facilities, buildings, and machinery used in farming. To qualify, the individual or business that sells or rents the assets (a) cannot be an equipment dealer or similar business that sells agricultural assets for profit and (b) cannot be related to the beginning farmer.[4]

The credit equals one of the following:

1. In the case of a sale, 5% of the sale price.
2. In the case of a rental, 10% of the gross rental income that the individual or business received during the first three years of the rental agreement. The bill requires that, to qualify, an asset must be rented at prevailing community rates.
3. In the case of a rental through a share-rent agreement, 15% of the cash equivalent of the gross rental income received during the first three years of the share-rent agreement. (A share-rent agreement is an arrangement by which, in exchange for the rented assets, the beginning farmer provides the owner of the assets with a specified portion of the farm products produced from the assets.)[5]

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[1] R.C. 901.61(A).

[2] R.C. 5747.72(C) and 5747.98.

[3] R.C. 901.61(B).

[4] R.C. 901.61(A)(3) and 5747.72(A)(1) and (5). In order for land to qualify as an agricultural asset, the land must total at least ten acres or produce an average annual income of at least $2,500 from farming.

[5] R.C. 5747.72(A)(6).

In the case of a sale, the credit must be claimed in the year of the sale. In the case of a rental, the credit is claimed over the three years of the rental or share-rent agreement. The credit is nonrefundable. However, if the credit exceeds the taxpayer's liability for any year in which it is claimed, the taxpayer can carry forward any excess credit for up to 15 years.[6]

Effective date

The credits may be claimed for taxable years beginning in 2019 or thereafter.

HISTORY

Action	Date
Introduced	06-06-19

S0159-I-133/ar

[6] R.C. 5747.72(B) and 5747.98.