



Beginning Farmer Tax Credit

2022 Legislative Report

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Overview

Established in 2017, the Minnesota Beginning Farmer Tax Credit provides annual tax credits to asset owners who rent or sell farmland, equipment, livestock, and other agricultural assets to beginning farmers. Beginning farmers are defined as farmers who have entered farming in the last ten years. According to the most recent [USDA NASS Agriculture Census from 2017](#), there are approximately 89,383 principal producer farmers in Minnesota and 16,910 (19%) of them are considered beginning farmers.

The goal of this program is to support beginning farmers with farmland access. The tax credit provides beginning farmers a potential advantage when negotiating leases and purchases — incentive for asset owners to lease and sell to them. Minnesota is one of six states with similar tax credits, joining Iowa, Kentucky, Nebraska, Ohio, and Pennsylvania. The Minnesota Department of Agriculture (MDA) is a leader in land access programs across the country with this program as well as the first of their kind [Emerging Farmers Office](#) and the new [Down Payment Assistance Grant](#).

The Beginning Farmer Tax Credit is administered by MDA's Rural Finance Authority (RFA) as part of its mission to develop the state's agricultural resources. The Minnesota Legislature initially funded the tax credit for \$5 million in 2018 and has appropriated an additional \$6 million each year from 2019 to 2023. It is currently scheduled to sunset after December 31, 2023, with approximately \$24.9 million remaining in 2023.

Asset Owner Credits

Amount and Type of Asset Owner Tax Credits

In 2022, the RFA issued 628 tax credits to asset owners, totaling \$3,112,167. For a breakdown of the asset owner tax credits by type (sales, cash leases, and share crop leases), see Table 1 below.

Ninety-nine percent of asset owners claimed their tax credits on farmland (tillable acres and pastureland); However, there were a small percentage (6 tax credits, totaling \$14,550) who claimed their credits on livestock, vehicles, and equipment.

In 2022, no asset owner or beginning farmer wrote to terminate their rental agreement, disallowing their credit. Applications did not exceed the funding allocated.

Table 1: Number and value of 2022 asset owner tax credits by credit type.

Credit Type	Number of Credits Issued in 2022	Percentage of Credits by Number	Value of Credits Issued in 2022	Percentage of Credits by Value
Sales <i>5% of sale price up to \$32K maximum.</i>	87	14%	\$1,318,477	42%
Cash Leases <i>10% of annual rental income up to \$7K max.</i>	510	81%	\$1,555,284	50%
Share Crop Leases <i>15% of annual rental income up to \$10K max.</i>	31	5%	\$238,406	8%
Total	628		\$3,112,167	

In Table 2 and 3, the number and value of tax credits issued by RFA and claimed by beginning farmers and asset owners are displayed by year. Tax credits can be carried forward for up to 15 years.

Table 2: Historic number of tax credits issued and claimed by year.

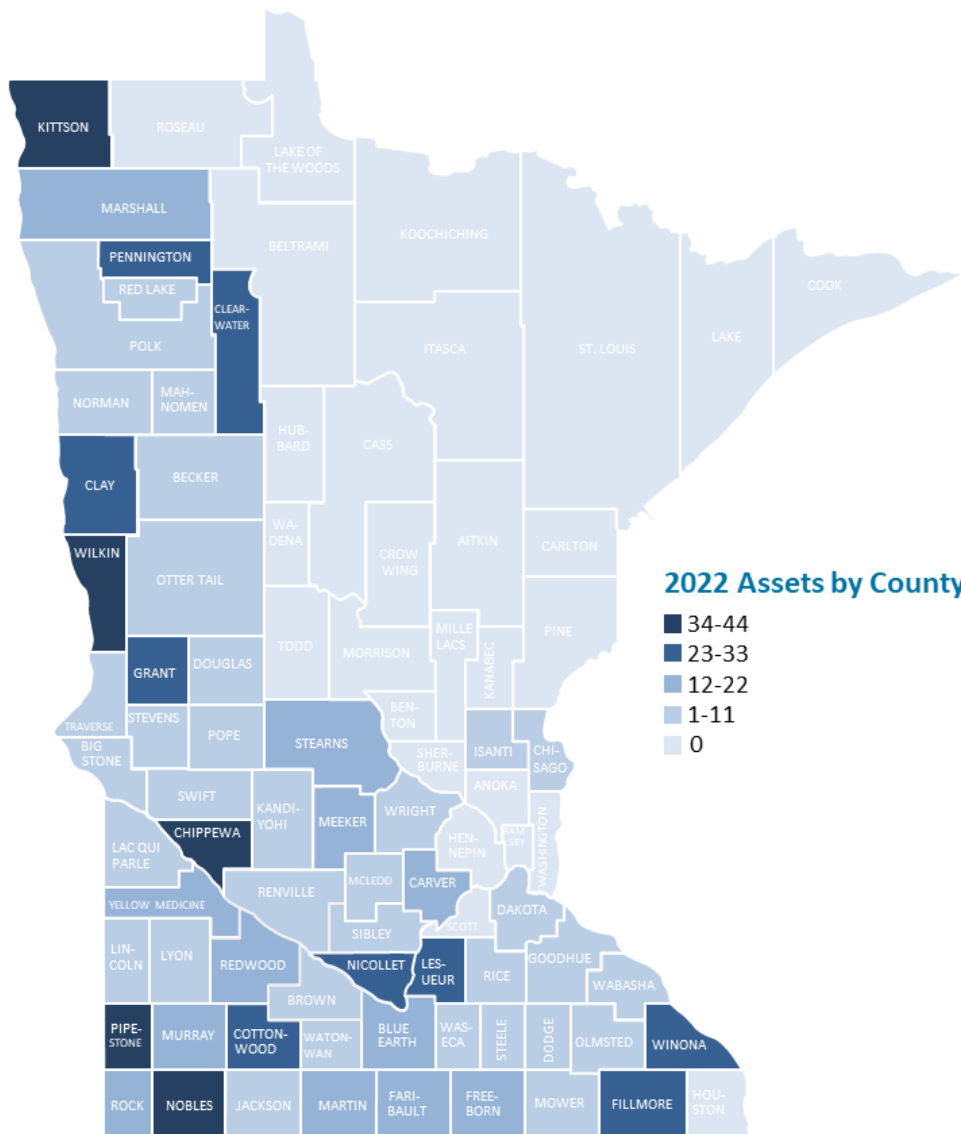
	Beginning Farmers		Asset Owners	
	Credits Issued	Credits Claimed	Credits Issued	Credits Claimed
2018	378	329	440	407
2019	527	418	584	545
2020	444	370	633	576
2021	462	234	639	562

Table 3: Historic value of tax credits issued and claimed by year.

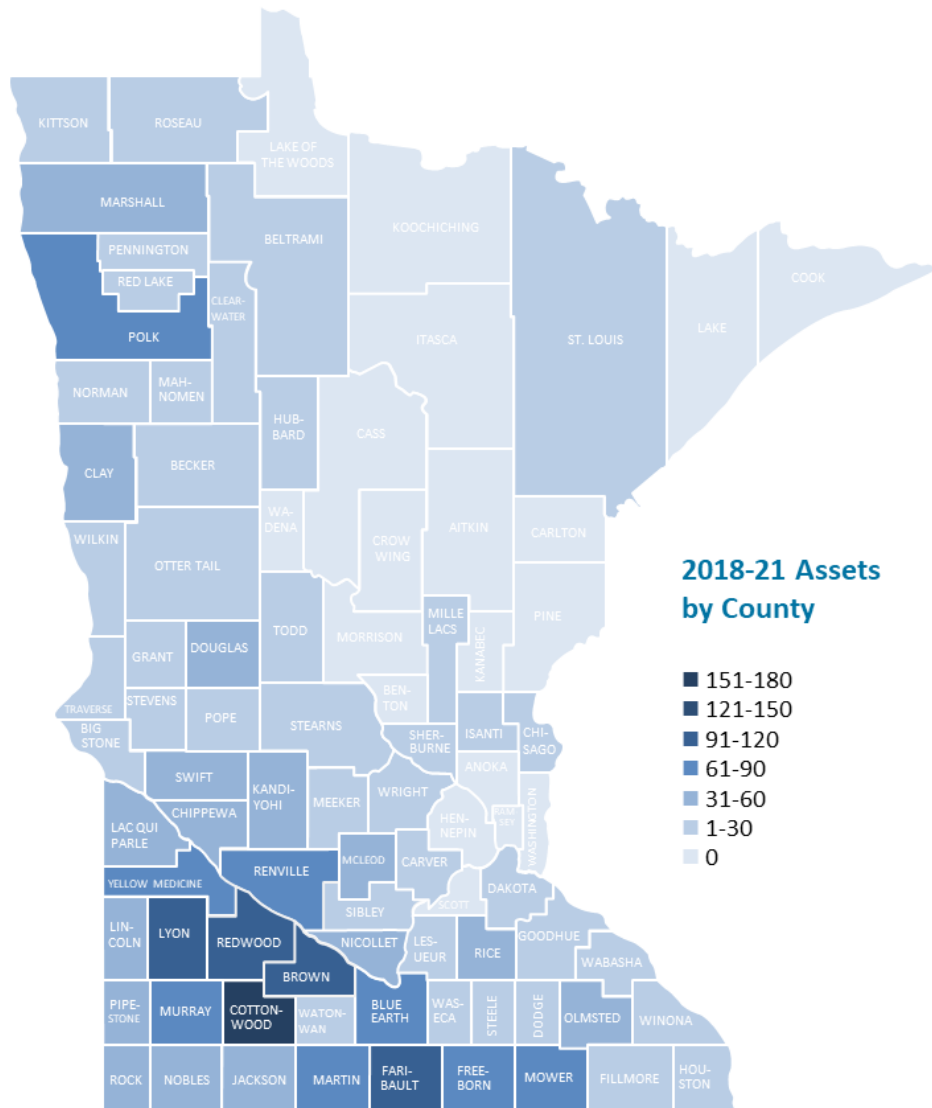
	Beginning Farmers		Asset Owners	
	Credits Issued	Credits Claimed	Credits Issued	Credits Claimed
2018	\$361,717	\$321,200	\$2,277,607	\$2,010,511
2019	\$544,127	\$434,893	\$2,710,529	\$2,416,226
2020	\$536,377	\$457,271	\$2,677,526	\$2,292,505
2021	\$383,008	\$275,545	\$3,282,291	\$2,649,171

Geographic Distribution of Asset Owner Tax Credits

Beginning farmers whose purchase or rental of assets resulted in asset owner tax credits are distributed around southern and western Minnesota. The highest clusters of assets were in Chippewa and Wilkin counties. See Map 1 below for more details. In Map 2 you will see the historic distribution of assets by county from 2018 to 2021.



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Beginning Farmer Credits

Overview

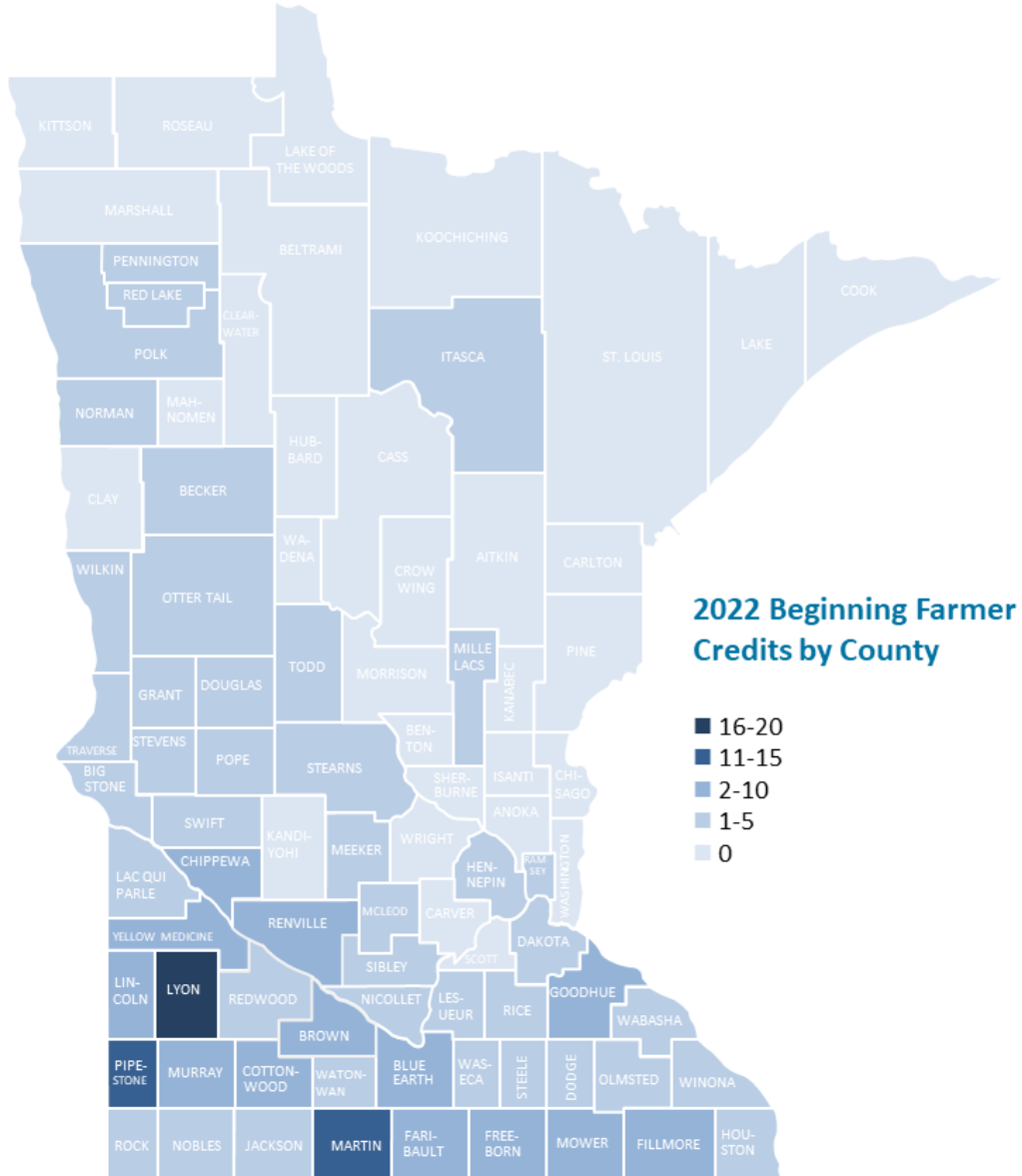
Beginning farmers must complete an approved farm business management (FBM) program for their landlords and sellers to be eligible for the Beginning Farmer Tax Credit. Beginning farmers may request a waiver from this requirement if they have a four-year agricultural degree or reasonable work experience in farm finance. The Beginning Farmer Tax Credit will reimburse beginning farmers for the expense of tuition for the FBM program in the form of a non-refundable tax credit. They can receive this tax credit for up to three years, and it has an annual maximum of \$1,500.

To approve FBM programs, the RFA reviews a summary of the education provided and bios of the instructors. A list of approved programs and their descriptions can be found on the webpage: mda.state.mn.us/fbmprograms

2022 Data

In 2022, the RFA issued 248 tax credits to beginning farmers, totaling \$281,223. Thirty-seven percent (143 farmers) chose to waive the FBM tuition reimbursement or had already received the maximum three years and were no longer eligible. Twenty-one percent (83 farmers) applied for the “tuition only” tax credit, without an asset owner. Beginning farmers received 8% of the total \$3,393,390 issued in credits in 2022.

Beginning farmers who received tax credits are mostly located in southern and western Minnesota. There are a few located in metro counties, but the majority are in southwestern Minnesota. For a geographic breakdown of beginning farmers who received tax credits, see Map 3 on the next page.



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Additional Data from Indiana University

For the last few years the RFA has partnered with [researchers at Indiana University](#) who are studying the impacts of land access policy incentives around the country, such as beginning farmer tax credits, easement incentives, and the Conservation Reserve Program's Transition Incentive Program (CRP-TIP). In 2022, the researchers surveyed participants in Minnesota's Beginning Farmer Tax Credit program. Below are some notable findings:

- 71% of beginning farmers (BFs) say the tax credit helped them market themselves to the asset owner.
- 58% of BFs agree the tax credit helped them lease or purchase the asset.
- However—78% of BFs say land access is still a challenge.
- Only 53% of BFs say they received a discount or price break on the sale or rental because their asset owner received the tax credit.
- 80% of BFs grew up on a farm.
- 45% of BFs already rented from the same landlord prior to enrolling in the tax credit.