

LEGISLATURE OF NEBRASKA  
ONE HUNDREDTH LEGISLATURE  
SECOND SESSION  
**LEGISLATIVE BILL 875**

Introduced by Fulton, 29; Erdman, 47.

Read first time January 11, 2008

Committee: Agriculture

A BILL

1 FOR AN ACT relating to agriculture; to amend sections 77-5203,  
2 77-5209, and 77-5215, Revised Statutes Cumulative  
3 Supplement, 2006; to change provisions of the Beginning  
4 Farmer Tax Credit Act; and to repeal the original  
5 sections.  
6 Be it enacted by the people of the State of Nebraska,

1           Section 1. Section 77-5203, Revised Statutes Cumulative  
2 Supplement, 2006, is amended to read:

3           77-5203 For purposes of the Beginning Farmer Tax Credit  
4 Act:

5           (1) Agricultural assets means agricultural land,  
6 livestock, farming, or livestock production facilities or buildings  
7 and machinery used for farming or livestock production located in  
8 Nebraska;

9           (2) Board means the Beginning Farmer Board created by  
10 section 77-5204;

11           (3) Farm means any tract of land over ten acres in area  
12 used for or devoted to the commercial production of farm products;

13           (4) Farm product means those plants and animals useful  
14 to man and includes, but is not limited to, forages and sod  
15 crops, grains and feed crops, dairy and dairy products, poultry  
16 and poultry products, livestock, including breeding and grazing  
17 livestock, fruits, and vegetables;

18           (5) Farming or livestock production means the active use,  
19 management, and operation of real and personal property for the  
20 production of a farm product;

21           (6) Financial management program means a program for  
22 beginning farmers or livestock producers which includes, but  
23 is not limited to, assistance in the creation and proper use  
24 of record-keeping systems, periodic private consultations with  
25 licensed financial management personnel, year-end monthly cash flow

1 analysis, and detailed enterprise analysis;

2 (7) Owner of agricultural assets means:

3 (a) An individual or a trustee having an ownership  
4 interest in an agricultural asset located within the State of  
5 Nebraska who ~~(i)~~ is a resident individual as defined in section  
6 77-2714.01~~7~~ ~~(ii)~~ in the case of an individual~~7~~, has derived at least  
7 fifty percent of his or her gross annual income for income tax  
8 purposes from farming or livestock production~~7~~, or in the case of a  
9 trustee~~7~~, the trust has derived at least fifty percent of its income  
10 for income tax purposes from farming or livestock production~~7~~ ~~(iii)~~  
11 has provided the majority of the day-to-day physical labor and  
12 management of a farm over a period of time deemed sufficient to  
13 qualify for the granting of tax credits under the act by the board~~7~~,  
14 and ~~(iv)~~ has other such meets any additional qualifications as  
15 determined by the board;

16 (b) A spouse, child, or sibling who acquires an ownership  
17 interest in agricultural assets as a joint tenant, heir, or devisee  
18 of an individual or trustee who would qualify as an owner of  
19 agricultural assets under subdivision (7)(a) of this section; or

20 (c) A partnership, corporation, limited liability  
21 company, or other business entity ~~(i)~~ which has at least one  
22 general partner, shareholder, or member, or the equivalent of  
23 such, who ~~that~~ is a resident individual as defined in section  
24 77-2714.01 and meets any additional qualifications determined by  
25 the board; ~~7~~ ~~(ii)~~ which derives at least fifty percent of its

1 income from farming or livestock production, and (iii) in which  
 2 one or more partners have provided the majority of the day-to-day  
 3 physical labor and management of a farm over a period of time  
 4 deemed sufficient to qualify for the granting of tax credits by  
 5 the board, or

6 ~~(d) A corporation or syndicate qualified to own~~  
 7 ~~agricultural land under Article XII, section 8, of the Constitution~~  
 8 ~~of Nebraska;~~

9 (8) Qualified beginning farmer or livestock producer  
 10 means an individual who is a resident individual as defined in  
 11 section 77-2714.01, who has entered farming or livestock production  
 12 or is seeking entry into farming or livestock production, who  
 13 intends to farm or raise crops or livestock on land located  
 14 within the state borders of Nebraska, and who meets the  
 15 eligibility guidelines established in section 77-5209 and such  
 16 other qualifications as determined by the board; and

17 (9) Share-rent agreement means a rental agreement  
 18 in which the principal consideration given to the owner of  
 19 agricultural assets is a predetermined portion of the production of  
 20 farm products from the rented agricultural assets.

21 Sec. 2. Section 77-5209, Revised Statutes Cumulative  
 22 Supplement, 2006, is amended to read:

23 77-5209 (1) The board shall determine who is qualified  
 24 as a beginning farmer or livestock producer based on the  
 25 qualifications found in this section. A qualified beginning farmer

1 or livestock producer shall be an individual who: ~~(1)~~ (a) Has a  
2 net worth of not more than two hundred thousand dollars, including  
3 any holdings by a spouse or dependent, based on fair market value;  
4 ~~(2)~~ (b) provides the majority of the day-to-day physical labor and  
5 management of the farm; ~~(3)~~ (c) has, by the judgment of the board,  
6 adequate farming or livestock production experience or demonstrates  
7 knowledge in the type of farming or livestock production for which  
8 he or she seeks assistance from the board; ~~(4)~~ (d) demonstrates  
9 to the board a profit potential by submitting board-approved  
10 projected earnings statements and agrees that farming or livestock  
11 production is intended to become his or her principal source of  
12 income; ~~(5)~~ (e) demonstrates to the board a need for assistance;  
13 ~~(6)~~ (f) participates in a financial management program approved  
14 by the board; ~~(7)~~ (g) submits a nutrient management plan and a  
15 soil conservation plan to the board on any applicable agricultural  
16 assets purchased or rented from an owner of agricultural assets;  
17 ~~(8)~~ is not a relative as defined in section 36-702 of the owner  
18 of agricultural assets or of a partner, member, shareholder, or  
19 trustee of the owner of agricultural assets in which the beginning  
20 farmer or livestock producer is seeking to enter into a rental  
21 agreement; (h) if the share-rent agreement would involve parties  
22 who are relatives as defined in section 36-702, has a succession  
23 plan approved by the board as provided in subsection (2) of this  
24 section; and ~~(9)~~ (i) has such other qualifications as specified by  
25 the board.

1           (2) If the share-rent agreement would involve parties who  
2 are relatives as defined in section 36-702, the beginning farmer  
3 or livestock producer and the owner of agricultural assets shall  
4 submit a written succession plan that is a legally binding document  
5 specifying a process and timetable for the transfer of agricultural  
6 assets from the owner of agricultural assets to the beginning  
7 farmer or livestock producer. The board shall approve the plan  
8 if it provides a reasonable manner and probability of successful  
9 transfer.

10           (3) A qualified beginning farmer or livestock producer  
11 who has participated in a board approved and certified three-year  
12 rental agreement with an owner of agricultural assets shall not  
13 be eligible to file a subsequent application with the board but  
14 may refer to the board for additional support and participate  
15 in programs, including educational and financial programs and  
16 seminars, established or recommended by the board that are  
17 applicable to the continued success of such farmer or livestock  
18 producer.

19           Sec. 3. Section 77-5215, Revised Statutes Cumulative  
20 Supplement, 2006, is amended to read:

21           77-5215 (1) The changes made in sections 77-5201,  
22 77-5203, 77-5208, 77-5209, and 77-5211 to 77-5213 by Laws 2006, LB  
23 990, shall become operative for all credits earned in tax years  
24 beginning or deemed to begin on and after January 1, 2007, under  
25 the Internal Revenue Code of 1986, as amended. For all credits

1 earned in tax years beginning or deemed to begin prior to January  
2 1, 2007, under the code, the provisions of the Beginning Farmer Tax  
3 Credit Act as they existed prior to such date shall apply.

4 (2) The changes made in sections 77-5203 and 77-5209 by  
5 this legislative bill shall become operative for all credits earned  
6 in tax years beginning or deemed to begin on and after January 1,  
7 2008, under the Internal Revenue Code of 1986, as amended. For all  
8 credits earned in tax years beginning or deemed to begin prior to  
9 January 1, 2008, under the code, the provisions of the Beginning  
10 Farmer Tax Credit Act as they existed prior to such date shall  
11 apply.

12 Sec. 4. Original sections 77-5203, 77-5209, and 77-5215,  
13 Revised Statutes Cumulative Supplement, 2006, are repealed.