Introduced by Blood, 3.

Read first time January 10, 2019

Committee: Revenue

A BILL FOR AN ACT relating to the Beginning Farmer Tax Credit Act; to amend sections 77-5203, 77-5213, and 77-5215, Reissue Revised Statutes of Nebraska; to define a term; to change provisions relating to tax credit amounts; to provide for applicability; and to repeal the original sections.

Be it enacted by the people of the State of Nebraska,
Section 1. Section 77-5203, Reissue Revised Statutes of Nebraska, is amended to read:

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

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

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

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

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

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

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

(7) Owner of agricultural assets means:

(a) An individual or a trustee having an ownership interest in an agricultural asset located within the State of Nebraska who meets any qualifications determined by the board;

(b) A spouse, child, or sibling who acquires an ownership interest in agricultural assets as a joint tenant, heir, or devisee of an individual or trustee who would qualify as an owner of agricultural assets under subdivision (7)(a) of this section; or
(c) A partnership, corporation, limited liability company, or other business entity having an ownership interest in an agricultural asset located within the State of Nebraska which meets any additional qualifications determined by the board;

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

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

(10) Veteran has the same meaning as in section 48-225.

Sec. 2. Section 77-5213, Reissue Revised Statutes of Nebraska, is amended to read:

77-5213 (1) The tax credit approved and certified by the board under section 77-5211 for an owner of agricultural assets in the first, second, or third year of a qualifying rental agreement that is a cash rent agreement shall be equal to:

(a) Ten percent of the gross rental income stated in the rental agreement if the qualified beginning farmer or livestock producer involved in the agreement is not a veteran; or

(b) Eleven percent of the gross rental income stated in the rental agreement if the qualified beginning farmer or livestock producer involved in the agreement is a veteran.

(2) The tax credit approved and certified by the board under section 77-5211 for an owner of agricultural assets in the first, second, or third year of a qualifying rental agreement that is a share-rent
agreement shall be equal to:

(a) Fifteen percent of the cash equivalent of the gross rental income in the rental agreement if the qualified beginning farmer or livestock producer involved in the agreement is not a veteran; or

(b) Sixteen percent of the cash equivalent of the gross rental income in the rental agreement if the qualified beginning farmer or livestock producer involved in the agreement is a veteran.

(3) that is a share-rent agreement. Tax credits shall only be approved and certified for rental agreements that are approved and certified by the board under the Beginning Farmer Tax Credit Act.

(4) To qualify for the greater rate of credit allowed under subsection (2) subdivision (1)(b) of this section, a share-rent agreement shall provide for sharing of production expenses or risk of loss, or both, between the agricultural asset owner and the qualified beginning farmer or livestock producer. The board may adopt and promulgate rules and regulations, consistent with the policy objectives of the act, to further define the standards that share-rent agreements shall meet for approval and certification of the tax credit under the act.

(5) The board shall review each existing three-year rental agreement between a beginning farmer or livestock producer and an owner of agricultural assets on a semiannual basis and shall either certify or terminate program eligibility for beginning farmers or livestock producers or tax credits granted to owners of agricultural assets on an annual basis.

Sec. 3. Section 77-5215, Reissue Revised Statutes of Nebraska, is amended to read:

77-5215 (1) The changes made in sections 77-5201, 77-5203, 77-5208, 77-5209, and 77-5211 to 77-5213 by Laws 2006, LB 990, shall become operative for all credits earned in tax years beginning or deemed to begin on and after January 1, 2007, under the Internal Revenue Code of
1986, as amended. For all credits earned in tax years beginning or deemed to begin prior to January 1, 2007, under the code, the provisions of the Beginning Farmer Tax Credit Act as they existed prior to such date shall apply.

(2) The changes made in sections 77-5203, 77-5209, and 77-5211 by Laws 2008, LB 1027, shall become operative for all credits earned in tax years beginning or deemed to begin on and after January 1, 2008, under the Internal Revenue Code of 1986, as amended. For all credits earned in tax years beginning or deemed to begin prior to January 1, 2008, under the code, the provisions of the Beginning Farmer Tax Credit Act as they existed prior to such date shall apply.

(3) The changes made in sections 77-5203 and 77-5213 by this legislative bill shall become operative for all credits earned in tax years beginning or deemed to begin on and after January 1, 2020, under the Internal Revenue Code of 1986, as amended. For all credits earned in tax years beginning or deemed to begin prior to January 1, 2020, under the code, the provisions of the Beginning Farmer Tax Credit Act as they existed prior to such date shall apply.

Sec. 4. Original sections 77-5203, 77-5213, and 77-5215, Reissue Revised Statutes of Nebraska, are repealed.