

Beginning Farmers and Ranchers Tax Credit

DRAFT Concept Paper

Core Concept

- Replace the Farm Lease Income Tax Deduction Program for a tax credit for the sale or lease of an agricultural asset to a beginning farmer or rancher.

Colorado Agriculture Development Authority (CADA) to administer tax credit

- Certify beginning farmers and ranchers
- Certify agriculture asset owners are eligible for the credit

Definitions

- Agricultural asset
 - Agricultural land, crops, livestock, irrigation equipment, facilities, buildings and/or machinery including processing, storage and distribution equipment used for farming and ranching in Colorado.
- Eligible Beginning Farmer or Rancher
 - A Colorado resident who is seeking entry, or has entered into agriculture within the last ten years.
 - A farmer/rancher who plans to farm or ranch full-time and will provide the majority of the labor and management of the farm/ranch that is located within Colorado.
 - Has adequate experience and has taken an agricultural and financial management education program approved by the CADA.
 - Can provide a positive projected earnings statement.
 - The sale of farm assets to someone that is directly related to the beginning farmer is permissible for participation in the program as long as they operate financially separate businesses.
 - The lease of farm assets to someone that is directly related to the beginning farmer is permissible for participation in the program as long as they have a signed succession plan agreement that will transition the asset between the parties at the end of the lease.
 - Colorado resident with a net worth less than \$2 million.
- Qualified Lease
 - Minimum three year lease.
 - Approved by CADA.
- Qualified Taxpayer
 - Individual, trustee, partnership, S Corp, or other similar pass-through entity who owns an agricultural asset in Colorado.
 - Cannot be an equipment dealer, livestock dealer, or other entity engaged the business of selling agricultural assets for profit.

Allowable Tax Credit

The agricultural asset owner can claim credits in one of the below categories in a given tax year on a per-owner basis up to the maximums stated.

Beginning Farmers and Ranchers Tax Credit DRAFT Concept Paper

- The maximum amount available per annum is \$2 million. Any residual funds will be rolled into the program funding and will increase the next year's maximum amount available accordingly.
 - 5% of the lesser of the sale price or fair market value of the agricultural asset up to a maximum of \$32,000;
 - 10% of the gross rental income in each of the 1st, 2nd, and 3rd years of the rental agreement, up to a maximum of \$7,000 per year, or
 - 15% of the cash equivalent of the gross rental income in each of the 1st, 2nd, and 3rd years of a share rent agreement, up to a maximum of \$10,000 per year.

DRAFT