

FACT SHEET

Beginning Farmer Tax Programs

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Beginning Farmers

Beginning farmers and ranchers are defined by USDA as individuals who have been operating a farm or a ranch for 10 years or less, either as a sole operator or in collaboration with others who also have 10 years or less of farming or ranching experience. Starting a farm or a ranch can be difficult due to high startup costs, limited access to farmland, and the requirement to acquire and control a significant amount of land and capital. These factors can create a barrier to entry for many individuals who wish to enter the industry (Ahearn and Newton, 2009). To address these challenges and promote the transfer of farmland to a new generation of farmers, several states, including Ohio, have implemented Beginning Farmer Tax Credit Programs.

Beginning Farmer Tax Credit Program in Ohio

The Ohio Beginning Farmer Tax Credit Program was signed into law on April 21, 2022, and took effect after December 31, 2022. It is the newest program among six states that have implemented beginning farmer tax credit programs, including Iowa, Wisconsin, Nebraska, Minnesota, and Pennsylvania. The program's objective is to encourage the transfer of farmland to a new generation of farmers and help beginning farmers access affordable farmland and equipment. The program offers nonrefundable tax credits to landowners who sell or lease agricultural land, livestock, buildings, or equipment to beginning farmers. Additionally, it allows beginning farmers to receive tax credit for the cost of the financial management program.

The Ohio Beginning Farmer Tax Credit Program is designed to address the challenges faced by beginning farmers by offering two types of tax credits. The first type is available to beginning farmers who attend a state-approved financial management program, while the second type is for individuals and businesses that sell or rent assets to beginning farmers. These tax credits are non-refundable and can be carried forward, and they apply to both corporate and individual income taxes. To qualify as a "beginning farmer" in the program, the Ohio Department of Agriculture has added some additional requirements. Beginning farmers must have a total net worth that does not exceed \$800,000 and provide a positive projected earnings statement. They must also enroll in a financial management program to improve their business skills and receive certification as a beginning farmer. Asset owners must also meet certain requirements to be eligible for the tax credits. They must have a total of at least 10 acres of farmlands or produce an average annual income of at least \$2,500. However, equipment dealers and similar businesses are not eligible as asset owners.

Compared to other states' beginning farmer tax credit programs, Ohio's program has a relatively large cap on the number of tax credits available, with a maximum credit of \$10 million. However, the percentage of the tax credit is lower than those in some other states at 3.99% for rental and sales income.

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Additionally, Ohio's program has stricter requirements for enrollment and certification in a financial management program. The tax credit program also places some restrictions on the sell/lease agreements involving close relatives and limits the types of assets that are eligible for tax credits.

Overall, the Ohio Beginning Farmer Tax Credit Program is a valuable resource for beginning farmers in Ohio. It encourages asset owners to be more inclined to sell or rent farmland to beginning farmers instead of established farmers. By doing so, the program helps to ensure the continued success of Ohio's agricultural industry.

Reference

Ahearn, M., and Newton, Doris. 2009. "Beginning Farmers and Ranchers". Economic Information Bulletin Number 53. United States Department of Agriculture Economic Research Service.

Table 1 Overview of Beginning Farmer Tax Programs, by state

State	Iowa	Wisconsin	Nebraska
Program	Beginning Farmer Tax Credit	Beginning Farmer and Farm Asset Owner tax credits	Beginning Farmer Tax Credit
	Tax credits for agricultural asset owners to lease their land, equipment, and/or buildings to beginning farmers	the Beginning Farmer credit is equal to the amount paid by the beginning farmer to enroll in a financial management program	Allows asset owners to receive state income tax credits for entering into a three- year rental agreement with a beginning farmer
Tax Credit Applies to	Corporation and individual income tax		
Key Requirements	1. Iowa residents and 18 years of age. 2. Net worth ≤ \$833,000. 3. Sufficient education, training, or experience for the anticipated farm operations. 4. Access to adequate working capital, equipment, and other items to operate the farm. 5. Be the owner/operator. 6. Does not own more than a ten percent ownership interest in an agricultural asset included in the agreement.	1. Net worth of ≤ \$200, 000. 2. Farmed for ≤ 10 years out of the preceding 15 years. 3. Entered into a lease for a term of at least 3 years with an established farmer's agricultural assets for farming. 4. Uses the leased agricultural assets for farming.	1. Net worth of ≤ \$200, 000. 2. Provides the majority of the day-to-day physical labor and management of his or her farming or livestock production operations. 3. Adequate farming or live- stock production experience or demonstrates knowledge. 4. Demonstrates to the board a profit potential by submitting board-approved projected earnings statements. 5. Participates in a financial management program approved by the board.
Credit to Asset Owner	For cash rent leases, the tax credit equals 5% of the cash rent. The cash rent cannot be more than 30% above the average cash rent for the county. / For crop share leases, the tax credit is 15%.	15% of the lease amount received by the established farmer	Refundable tax credit equal to 10% of the cash rent, or 15% of the value of the share crop rent received each year for three years.
Benefits to Beginning Farmers	None	\$500 and the credit is available on a one-time basis	A three-year lease rather than a year-to-year lease./ Up to a \$500 tax credit reimbursement for the financial management class. / Personal property tax exemption.
Limitations	Lease must include land./Agreement may be with close relatives.	Agreement maybe with close relatives that are state residents.	Agreement maybe with close relatives.
Applicable Agricultural Assets	Agricultural land, depreciable machinery or equipment, buildings, bin storage, and breeding livestock	Machinery, equipment, facilities, or livestock that is used in farming.	Agricultural land, livestock, farming, or livestock production facilities or buildings and machinery used for farming or livestock production located in Nebraska.
Lease Term	2-5 years	3 years	
Tax Credit Limit	≤ \$50,000	None	
Tax Credit Program Cap	An annual cap of \$12 million	Not capped	
Transferability	No		
Refundability	No	No	Yes
Carry Forward	10 years	NA	NA
Initial Award Year	2007	2011	1999
End Year	NA	2013	NA

Table 1 Overview of Beginning Farmers Tax Programs, by state

State	Minnesota	Pennsylvania	Ohio
Program	Beginning Farmer Tax Credit		
	Annual state tax credits to asset owners who rent or sell to beginning farmers	Tax credits to owners of agricultural assets who sell or rent to beginning farmers	Beginning farmers who attend a financial management program & owners that sell or rent to beginning farmers
Tax Credit Applies to	Individual, trust, LLC, partnership, S-Corp, or other qualified pass-through entity income tax		Cooperation & individual income tax
Key Requirements	1. State residents 2. Majority of labor and management on Minnesota farms. 3. Farming experience & Knowledge 4. Positive projected earnings statements 5. Net worth < \$979,000 in 2023 6. Enroll in/complete an approved farm business management program ≤ 10 years of their 1 st year of farming	1. Experience in agriculture/related/transferable skills as determined by USDA 2. No federal gross income from agricultural production for > 10 in most recent taxable years. 3. Majority of labor and management on Pennsylvania farms. 4. Written certification of beginning Farmer status from USDA 5. Is not & whose spouse is not a partner /member/shareholder /trustee of the owner who seeks to purchase/rent agricultural assets.	1. state resident 2. Enter farming within the last 10 years. 3. Farm on land in Ohio. 4. Is not a partner/member/shareholder /trustee of the assets the individual seeks to purchase or rent. 5. Total net worth ≤ \$800,000 (including spouse and dependent assets) 6. Provide the majority of daily physical labor and management of the farm. 7. Adequate farming experience or knowledge 8. Positive projected earnings statements. 9. Farming is a significant income source for the individual. 10. Participates in a financial management program approved by ODA.
Credit to Asset Owner	10% of annual rental income (max: \$7000)/ 15% of annual rental income (max:\$10,000)/ 5% of the sale price (max:\$32,000)/Equal to tuition paid (max:\$1000)	5% of the sale price (max: \$32,000)/ 10% of the gross rental income for the first three years with maximum \$7000 per year	3.99% of sales price/3.99% of rental income for the first three years
Benefits to Beginning Farmers	Beginning farmers are eligible for a nonrefundable Minnesota tax credit equal to their FBM tuition paid up to a maximum of \$1,500	None	The beginning farmer receives a tax credit for the cost of the financial management program
Limitations	Agreement may not be with close relatives. Asset owners cannot be equipment dealers/ livestock dealers/comparable entities engaged in the business of selling agricultural assets for profit.		
Applicable Agricultural Assets	Agricultural land/ livestock/ facilities/ buildings/ machinery used for farming		
Lease Term			
Tax Credit Limit	Rent tax credits are applicable for first 3 years		
Tax Credit Program Cap	\$ 6 million per year from 2019 to 2023 (tax year)	\$6 million for the taxable years beginning after December 31, 2020	\$10 million
Transferability	No		
Refundability	No		
Carry Forward	15 years	No	7 years for asset owners and 3 years for farmers
Initial Award Year	2018	2020	2023
End Year	2023		2028