HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

SENATE BILL NO. 478 **PRINTERS NO.** 942 **PRIME SPONSOR**: Vogel

AS AMENDED BY: A02407

REVENUE INCREASE / (DECREASE)

FUND	FY 2018/19	FY 2019/20
General Fund	**$0**	**See Fiscal Impact**

SUMMARY: Senate Bill 478, Printer's Number 942, as amended by A02407, amends the Tax Reform Code providing for tax credits relating to beginning farmers.

ANALYSIS: This legislation adds Article XVIII-H to the Tax Reform Code providing tax credits to owners of agricultural assets who sell or rent the agricultural assets to beginning farmers. Agricultural assets are defined as agricultural land, livestock, facilities, buildings and machinery used for farming. A beginning farmer is defined as a person who: (1) has demonstrated experience in the agricultural industry or related field or has transferable skills as determined by the department; (2) has not received Federal gross income from agricultural production for more than the 10 most recent taxable years; (3) intends to engage in agricultural production within the borders of this Commonwealth and to provide the majority of the labor and management involved in that agricultural production; (4) has obtained written certification from the department confirming beginning farmer status; and (5) is not, and whose spouse is not, a partner, member, shareholder or trustee of the owner of agricultural assets from whom the person seeks to purchase or rent agricultural assets.

An owner of agricultural assets must apply to the department for approval of a tax credit, in a format and manner prescribed by the department. An owner of agricultural assets may take a credit against the personal income tax for the sale or rental of agricultural assets to a beginning farmer. The tax credit shall be equal to: (1) 5% of the lesser of the sale price or the fair market value of the agricultural asset, up to a maximum of $32,000 or (2) 10% of the gross rental income in each of the first, second and third years of a rental agreement, up to a maximum of $7,000 per year.

The department may allocate no more than $5 million in tax credits for the taxable year beginning after December 31, 2019 and may allocate no more than $6 million for taxable years beginning after December 31, 2020. The tax credits shall be allocated on a first-come first-served basis beginning January 1 of each year except that first priority shall be given to recertifications for second and third years. Any amount authorized but not allocated in any taxable year does not cancel and is added to the allocation for the net taxable year. The tax credit may not be sold, passed through, carried forward or refunded.

No later than February 1, 2025, the department shall provide a report to the General Assembly on the tax credits issued which shall include background information on beginning farmers and any other information relevant to evaluating the effect of the tax credits on increasing opportunities for and the number of beginning farmers. Additionally, the report shall include the number and amount of tax credits issued, the geographic distribution of the tax credits issued, the type of agricultural assets for which tax credits were issued, the number and geographic distribution of beginning farmers whose purchase or rental resulted in the tax credits for the seller or owner, the number and amount of tax credits disallowed, data on the number of beginning farmers by geographic region and the number and amount of tax credit applications that exceeded the available allocation.

The act shall take effect in 60 days and the article shall expire for taxable years beginning after December 31, 2029.

FISCAL IMPACT: Enactment of this legislation allows for the allocation of up to $5 million in tax credits for tax year 2020, and up to $6 million in tax credits for tax 2021 and thereafter. The provisions of this article shall expire for taxable years beginning after December 31, 2029. Due to the timing of the awarding of the tax credits and the claiming of the tax credits on an individual's tax return, the Department of Revenue estimates no impact to General Fund revenues in 2019-20 and a loss of $4.4 million in revenues in 2020-21.

PREPARED BY: Ritchie LaFaver
House Appropriations Committee (R)

DATE: June 25, 2019

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.