

# GREENER PASTURES FOR NEW FARMERS

## CASE STUDY GOVERNMENT MODEL

### NEBRASKA BEGINNING FARMER TAX CREDIT

Nebraska Department of Agriculture | [http://www.nda.nebraska.gov/beg\\_farmer/index.html](http://www.nda.nebraska.gov/beg_farmer/index.html)

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The Beginning Farmer Tax Credit Program was created by the Nebraska Legislature to incentivize agricultural asset owners to lease agricultural land, machinery, or livestock to a qualified beginning farmer. Through the Beginning Farmer Tax Credit program, agricultural asset owners, such as retired farmers, will receive a tax credit equal to 10 percent of the cash rent or 15 percent of the owner's value of the share crop rent for leasing their eligible assets to a beginning farmer. Beginning farmers benefit from greater access to limited resources like prime farmland and agricultural machinery. To be eligible for the program, beginning farmers must be Nebraska residents, have farmed or ranched for less than 10 of the past 15 years, and have participated in an approved financial management class. Between 2000 and 2013, the Beginning Farmer Tax Credit has helped 716 beginning farmers and provided over \$4.5 million in tax credits to 860 agricultural asset owners.

#### KEY POINTS:

- Incentivizes agricultural asset owners to lease agricultural land, machinery, or livestock to a qualified beginning farmer.
- Beginning farmers must meet a number of requirements, including a net worth cap of \$200,000 to be eligible.
- The tax credit is not capped, allowing all eligible applicants to benefit from the program.
- The Department of Agriculture is responsible for the administration of the program, including promoting and educating the industry, helping producers navigate the application process, and presenting applications to the Beginning Farmer Board.



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The Nebraska Legislature created the Nebraska Beginning Farmer Tax Credit Act in 1999 to address some of the challenges facing farming, including the increasing average age of farmers and the difficulty in accessing land. The Beginning Farmer Tax Credit Program incentivizes agricultural asset owners to lease agricultural land, machinery, or livestock to a qualified beginning farmer. The lessor receives a tax credit equal to 10 percent of the cash rent or 15 percent of the owner's value of the share crop rent. The Beginning Farmer Tax Credit Program requires a three-year lease term. An eligible beginning farmer must be a Nebraska resident, have farmed or ranched for less than 10 of the past 15 years, have a net worth of less than \$200,000, have participated in an approved financial management class, will provide the majority of the daily physical labor and management of the farm, and will plan to farm or ranch full time. In addition to providing proof of a financial management class and net worth statement, the Beginning Farmer Tax Credit Act requires that applicants submit a projected cash-flow analysis.

The Nebraska Department of Agriculture administers the Beginning Farmer Tax Credit, with the help of a governor-appointed Beginning Farmer Board. The Beginning Farmer Board is composed of the Director of Agriculture or his or her designee, the Tax Commissioner or his or her designee, a representative from the lending community, a representative from the academic community, and a representative from each of the three congressional districts who is engaged in farming or livestock production. The Board reviews and approves applications to ensure that the requirements of the Act are met. Nebraska's Beginning Farmer Tax Credit Program does not limit the number of participants. The Department of Agriculture staff are responsible for administration of the program by promoting and educating the industry, helping producers navigate the application process, and presenting applications to the Board.

Since the program's first year of operations in 2000, the Beginning Farmer Tax Credit has helped 716 beginning farmers and provided over \$4.5 million in tax credits to 860 agricultural asset owners. The Nebraska



*Scott Wagner's Farm; Source: Nebraska Agriculture and You 2013*

Department of Agriculture does not track beginning farmers after completion of their three-year lease to determine what percentage of beginning farmers stay on the land or continue to farm other land. Although they have seen an increase in participation in the past five years, beginning farmer participation is limited by the \$200,000 net worth cap. This restriction has resulted in Nebraska turning away many otherwise eligible applicants. The Nebraska Department of Agriculture has also found advertising the program to be a challenge. Many established farmers or landowners assume that the program does not apply to them because of the name of the tax credit. The Department of Agriculture is working with a local university to consider possible marketing and rebranding opportunities to attract more agricultural asset owners.