

HB5200



101ST GENERAL ASSEMBLY

State of Illinois

2019 and 2020

HB5200

by Rep. Nathan D. Reitz

SYNOPSIS AS INTRODUCED:

35 ILCS 5/232 new

Amends the Illinois Income Tax Act. Creates an income tax credit for beginning farmers who participate in a financial management program approved by the Department of Agriculture. Creates an income tax credit for owners of agricultural assets who sell or rent those agricultural assets to a beginning farmer. Effective immediately.

LRB101 17571 HLH 66990 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Income Tax Act is amended by adding
5 Section 232 as follows:

6 (35 ILCS 5/232 new)

7 Sec. 232. Beginning farmer credit.

8 (a) For the purposes of this Section, the following terms
9 have the following meanings:

10 "Agricultural asset" means agricultural land, livestock,
11 facilities, buildings, and machinery used for farming in
12 Illinois.

13 "Beginning farmer" means a resident of Illinois who:

14 (1) is seeking entry into farming or has become a
15 farmer within the 10 years preceding the taxable year in
16 which the credit is taken;

17 (2) intends to farm land located within the State;

18 (3) is not related by blood or marriage to the owner of
19 the agricultural asset from whom the beginning farmer is
20 seeking to purchase or rent the agricultural asset;

21 (4) is not related by blood or marriage to a partner,
22 member, shareholder, or trustee of the owner of
23 agricultural assets from whom the beginning farmer is

1 seeking to purchase or rent the agricultural asset; and

2 (5) meets the following eligibility requirements as
3 determined by the Department

4 (A) provides the majority of the day-to-day
5 physical labor and management of the farm;

6 (B) has, in the judgment of the Department,
7 adequate farming experience or demonstrates knowledge
8 in the type of farming for which the beginning farmer
9 seeks assistance from the Department;

10 (C) demonstrates to the Department a profit
11 potential by submitting projected earnings statements;
12 and

13 (D) asserts to the satisfaction of the Department
14 that farming will be a significant source of income for
15 the beginning farmer.

16 "Department" means the Department of Agriculture.

17 "Farm product" means plants and animals useful to humans,
18 including, but is not limited to, forage and sod crops,
19 oilseeds, grain and feed crops, dairy and dairy products,
20 poultry and poultry products, livestock, fruits, and
21 vegetables.

22 "Farming" means the active use, management, and operation
23 of real and personal property for the production of a farm
24 product.

25 "Owner of an agricultural asset" means an individual,
26 trust, or pass-through entity that is the owner in fee of

1 agricultural land or has legal title to any other agricultural
2 asset. An equipment dealer or comparable entity engaged in the
3 business of selling agricultural assets for profit is not
4 considered an owner of an agricultural asset.

5 "Share rent agreement" means a rental agreement in which
6 the principal consideration given to the owner of agricultural
7 assets is a predetermined portion of the production of farm
8 products produced from the rented agricultural assets and which
9 provides for sharing production costs, risk of loss, or both.

10 (b) For taxable years ending on or after December 31, 2020,
11 an owner of an agricultural asset may take a credit against the
12 tax due under subsections (a) and (b) of Section 201 of this
13 Act for the sale or rental of that agricultural asset to a
14 beginning farmer. The credit shall be equal to:

15 (1) 5% of the sale price of the agricultural asset;

16 (2) 10% of the gross rental income in each of the
17 first, second, and third years of a rental agreement; or

18 (3) 15% of the cash equivalent of the gross rental
19 income in each of the first, second, and third years of a
20 share rent agreement.

21 (c) A qualifying rental agreement includes the cash rent of
22 an agricultural asset or a share rent agreement. The
23 agricultural asset must be rented at prevailing community rates
24 as determined by the Department. The credit may be claimed only
25 after approval and certification by the Department.

26 (d) An owner of an agricultural assets or beginning farmer

1 may terminate a rental agreement, including a share rent
2 agreement, for reasonable cause upon approval of the
3 Department. If a rental agreement is terminated without the
4 fault of the owner of the agricultural asset, the tax credits
5 shall not be retroactively disallowed. If an agreement is
6 terminated with fault by the owner of agricultural assets, any
7 prior tax credits claimed under this Section by the owner of
8 the agricultural asset shall be disallowed and must be repaid
9 to the Department of Revenue.

10 (e) For taxable years ending on or after December 31, 2020,
11 a beginning farmer may take a credit against the tax imposed
12 under subsections (a) and (b) of Section 201 for participating
13 in a financial management program approved by the Department.
14 The credit is equal to 100% of the cost of participating in the
15 program. The credit is available for up to 3 years while the
16 farmer is in the program. The Department shall maintain a list
17 of approved financial management programs and establish a
18 procedure for approving equivalent programs that are not on the
19 list.

20 (f) The Department, in consultation with the Department of
21 Revenue, shall:

22 (1) approve and certify beginning farmers as eligible
23 for the program under this Section;

24 (2) approve and certify owners of agricultural assets
25 as eligible for the tax credit under Section;

26 (3) provide necessary and reasonable assistance and

1 support to beginning farmers for qualification and
2 participation in financial management programs approved by
3 the Department; and

4 (4) refer beginning farmers to agencies and
5 organizations that may provide additional pertinent
6 information and assistance.

7 (g) This Section is exempt from the provisions of Section
8 250.

9 Section 99. Effective date. This Act takes effect upon
10 becoming law.