



103RD GENERAL ASSEMBLY

State of Illinois

2023 and 2024

HB1343

Introduced 1/31/2023, by Rep. Lance Yednock

SYNOPSIS AS INTRODUCED:

35 ILCS 5/234 new

Amends the Illinois Income Tax Act. Creates an income tax credit for an owner of an agricultural asset who sells or rents the agricultural asset to a beginning farmer. Provides that the 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. Provides that the taxpayer shall apply with the Department of Agriculture. Provides that the Department of Agriculture may not approve more than \$5,000,000 in credits under those provisions in any one taxable year. Effective immediately.

LRB103 05778 HLH 50798 b

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
5 adding Section 234 as follows:

6 (35 ILCS 5/234 new)

7 Sec. 234. Agricultural assets; beginning farmer.

8 (a) For taxable years beginning on or after January 1,
9 2024, an owner of an agricultural asset may take a credit
10 against the tax imposed under subsections (a) and (b) of
11 Section 201 for the sale or rental of the agricultural asset to
12 a beginning farmer in the amount approved by the Department of
13 Agriculture. The amount of the credit shall be equal to:

14 (1) 5% of the lesser of the sale price or the fair
15 market value of the agricultural asset, up to a maximum of
16 \$32,000; or

17 (2) 10% of the gross rental income in each of the
18 first, second, and third years of a rental agreement, up
19 to a maximum of \$7,000 per year.

20 (b) The owner of the agricultural asset must apply to the
21 Department of Agriculture for approval of the tax credit under
22 this Section. The application must:

23 (1) identify the beginning farmer to whom the assets

1 are sold or rented;

2 (2) specify whether the beginning farmer is a brother,
3 sister, ancestor, or lineal descendant of the taxpayer;
4 and

5 (3) contain any other information deemed necessary by
6 the Department of Agriculture.

7 The Department of Agriculture may not approve more than
8 \$5,000,000 in credits under this Section in any one taxable
9 year.

10 (c) In no event shall a credit under this Section reduce
11 the taxpayer's liability to less than zero. If the amount of
12 the credit exceeds the tax liability for the year, the excess
13 may be carried forward and applied to the tax liability of the
14 5 taxable years following the excess credit year. The tax
15 credit shall be applied to the earliest year for which there is
16 a tax liability. If there are credits for more than one year
17 that are available to offset a liability, the earlier credit
18 shall be applied first.

19 (d) For partners, shareholders of Subchapter S
20 corporations, and owners of limited liability companies, if
21 the liability company is treated as a partnership for the
22 purposes of federal and State income taxation, there shall be
23 allowed a credit under this Section to be determined in
24 accordance with the determination of income and distributive
25 share of income under Sections 702 and 704 and Subchapter S of
26 the Internal Revenue Code.

1 (e) As used in this Section:

2 "Agricultural asset" means agricultural land, livestock,
3 facilities, buildings and machinery used for farming.

4 "Beginning farmer" means a person who:

5 (1) has demonstrated experience in agriculture or a
6 related field or has transferable skills, as determined by
7 the Department of Agriculture;

8 (2) has not received income from agricultural
9 production for more than the 10 most recent taxable years;

10 (3) intends to engage in agricultural production
11 within the State and to provide the majority of the labor
12 and management involved in the agricultural production;

13 (4) has obtained certification from the Department of
14 Agriculture as a beginning farmer;

15 (5) is not, and whose spouse is not, a partner,
16 member, shareholder, or trustee of the owner of the
17 agricultural asset; and

18 (6) is not a brother, sister, ancestor, or lineal
19 descendant of the owner of the agricultural asset.

20 "Farming" means the active use, management, and operation
21 of real and personal property for agricultural production.

22 "Owner of an agricultural asset" means an individual,
23 trust or pass-through entity that is the owner in fee simple of
24 agricultural land or has legal title to any other agricultural
25 asset. The term does not include an equipment dealer,
26 livestock dealer, or comparable entity that is engaged in the

1 business of selling agricultural assets for profit and that is
2 not engaged in farming as its primary business activity.

3 (f) This Section is exempt from the provisions of Section
4 250.

5 Section 99. Effective date. This Act takes effect upon
6 becoming law.