



99TH GENERAL ASSEMBLY

State of Illinois

2015 and 2016

HB3902

by Rep. Randy Frese

SYNOPSIS AS INTRODUCED:

35 ILCS 5/224 new

Amends the Illinois Income Tax Act. Creates a credit for each taxpayer who is an agricultural asset owner who leases that agricultural asset to a beginning farmer. Provides that, if the lease is on a cash basis, the tax credit shall be shall be 7% of the gross amount paid to the taxpayer during the taxable year under the agreement, and if the lease is on a commodity share basis, the credit shall be equal to 17% of the amount paid to the taxpayer from crops or animals sold under the agreement in which the payment is exclusively made from the sale of crops or animals. Provides for an increased credit if the beginning farmer is a veteran. Effective immediately.

LRB099 07893 HLH 28033 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 224 as follows:

6 (35 ILCS 5/224 new)

7 Sec. 224. Agricultural assets transfer tax credit.

8 (a) Notwithstanding any other provision of law, each
9 taxpayer who is an agricultural asset owner who leases that
10 agricultural asset to a beginning farmer is eligible for a
11 credit under this Section. The tax credit is allowed only for
12 agricultural assets that are subject to an agricultural assets
13 transfer agreement approved by the Illinois Finance Authority.
14 The agreement shall provide for the lease of agricultural
15 assets located in the State, including any improvements, and
16 may provide for the rental of agricultural equipment.

17 (b) For an agreement that includes a lease on a cash basis,
18 the tax credit shall be shall be 7% of the gross amount paid to
19 the taxpayer during the taxable year under the agreement,
20 except that, if the beginning farmer is a veteran, the taxpayer
21 may claim 8% of the gross amount paid to the taxpayer under the
22 agreement for the first year that the tax credit is allowed.

23 For an agreement that includes a lease on a commodity share

1 basis, the taxpayer may claim a tax credit equal to 17% of the
2 amount paid to the taxpayer from crops or animals sold under
3 the agreement in which the payment is exclusively made from the
4 sale of crops or animals, except that, if the beginning farmer
5 is a veteran, the taxpayer may claim 18% of the amount paid to
6 the taxpayer from crops or animals sold under the agreement for
7 the first tax year that the taxpayer is allowed the tax credit
8 under the agreement.

9 (c) For partners, shareholders of subchapter S
10 corporations, and owners of limited liability companies, if the
11 liability company is treated as a partnership for purposes of
12 federal and State income taxation, there shall be allowed a
13 credit under this subsection to be determined in accordance
14 with the determination of income and distributive share of
15 income under Sections 702 and 704 and subchapter S of the
16 Internal Revenue Code.

17 (d) In no event shall a credit under this Section reduce
18 the taxpayer's liability to less than zero. If the amount of
19 the credit exceeds the tax liability for the year, the excess
20 may be carried forward and applied to the tax liability of the
21 5 taxable years following the excess credit year. The tax
22 credit shall be applied to the earliest year for which there is
23 a tax liability. If there are credits for more than one year
24 that are available to offset a liability, the earlier credit
25 shall be applied first.

26 (e) For the purposes of this Section:

1 "Agricultural asset" means land, depreciable machinery or
2 equipment, breeding livestock, or buildings located in this
3 State and used for production agriculture, but does not include
4 the lease of a primary residence.

5 "Beginning farmer" means a person engaged in production
6 agriculture who meets the following qualifications:

7 (1) the person is a resident of Illinois; in the case
8 of a partnership, corporation, or limited liability
9 company, each partner, shareholder, or member must be a
10 resident of Illinois;

11 (2) the person has a net worth of less than \$703,844 at
12 the time of the agreement; in the case of a partnership,
13 corporation, or limited liability company, the net worth of
14 each partner, shareholder, or member must be less than
15 \$703,844;

16 (3) the person must submit a letter with the agreement
17 at the time of approval by the Illinois Finance Authority
18 documenting their education, training, and experience in
19 farming;

20 (4) the person must have adequate working capital, farm
21 equipment, machinery, and livestock, as determined by the
22 Illinois Finance Authority;

23 (5) the person must perform the duties required to farm
24 the asset according to the terms of the lease; and

25 (6) the person must assume the financial risk
26 associated with operating the agricultural asset according

1 to the terms of the lease.

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

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