



99TH GENERAL ASSEMBLY

State of Illinois

2015 and 2016

HB3903

by Rep. Avery Bourne

SYNOPSIS AS INTRODUCED:

35 ILCS 5/224 new

Amends the Illinois Income Tax Act. Creates a credit for each person who hires a beginning farmer to do agricultural contract work for the production of crops or livestock in Illinois during the taxable year pursuant to a custom farming contract. Provides that the amount of the credit shall be 7% of the amount actually paid to the beginning farmer under the contract during the taxable year, except that, if the beginning farmer is a veteran, then, during the first taxable year of the contract, the amount of the credit shall be increased to 8% of the amount actually paid to that beginning farmer. Provides that the credit is exempt from the Act's automatic sunset provision. Effective immediately.

LRB099 07895 HLH 28035 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. Custom farming tax contract credit.

8 (a) For taxable years beginning on or after January 1,
9 2016, any person who hires a beginning farmer to do
10 agricultural contract work for the production of crops or
11 livestock in Illinois during the taxable year pursuant to a
12 custom farming contract is entitled to a credit as provided in
13 this Section. The amount of the credit shall be 7% of the
14 amount actually paid to the beginning farmer under the contract
15 during the taxable year, except that, if the beginning farmer
16 is a veteran, then, during the first taxable year of the
17 contract, the amount of the credit shall be increased to 8% of
18 the amount actually paid to that beginning farmer. The custom
19 farming contract must (i) provide that the taxpayer pay the
20 beginning farmer on a cash basis, (ii) be in writing for a term
21 of not more than 12 months, (iii) provide for payment of at
22 least \$1,000, and (iv) be approved by the Illinois Finance
23 Authority. The taxpayer must make all management decisions

1 substantially contributing to or affecting the production of
2 crops or livestock located on the agricultural land. However,
3 the beginning farmer is not prohibited from regularly or
4 frequently taking part in making day-to-day operational
5 decisions affecting production.

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

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

23 (d) As used in this Section:

24 "Beginning farmer" means a person who meets the following
25 qualifications:

26 (1) the person is a resident of Illinois;

- 1 (2) the person is at least 18 years of age;
2 (3) the person is not related to the taxpayer as a
3 spouse, child, stepchild, brother, or sister;
4 (4) the person has a net worth of less than \$703,844 at
5 the time of the contract;
6 (5) the person must submit a letter with the agreement
7 at the time of approval by the Illinois Finance Authority
8 documenting their education, training, and experience in
9 farming;
10 (6) the person must have adequate working capital, farm
11 equipment, machinery, and livestock, as determined by the
12 Illinois Finance Authority; and
13 (7) the person must perform the duties required of the
14 beginning farmer according to the terms of the contract.
15 (e) This Section is exempt from the provisions of Section
16 250.

17 Section 99. Effective date. This Act takes effect upon
18 becoming law.