

**Fifty-fifth Legislative Assembly, State of North Dakota, begun in the
Capitol in the City of Bismarck, on Monday, the sixth day of January,
one thousand nine hundred and ninety-seven**

SENATE BILL NO. 2398

(Senators Andrist, Christmann, Krebsbach, Lindaas, Wanzek)

AN ACT to create and enact six new sections to chapter 54-17 of the North Dakota Century Code, relating to the tax-exempt financing of farmland, livestock, and farm equipment through the industrial commission; and to amend and reenact subdivision I of subsection 1 of section 28-32-01 of the North Dakota Century Code, relating to the definition of an administrative agency.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Subdivision I of subsection 1 of section 28-32-01 of the 1995 Supplement to the North Dakota Century Code is amended and reenacted as follows:

- I. The industrial commission with respect to the activities of the Bank of North Dakota, the North Dakota housing finance agency, the North Dakota municipal bond bank, and the North Dakota mill and elevator association, and the North Dakota farm finance agency.

SECTION 2. A new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Definitions. As used in sections two through seven of this Act:

1. "First-time farmer" means an individual who is a North Dakota resident who has not at any time had any direct or indirect ownership interest in substantial farmland in the operation of which the individual materially participated, who will be the principal user of the farmland, and who will materially and substantially participate on the farm of which the land is a part in the operation of the farm.
2. "Substantial farmland" means any parcel of land unless the parcel is smaller than thirty percent of the median size of a farm in the county in which the parcel is located and does not at any time while held by the individual have a fair market value in excess of one hundred twenty-five thousand dollars.

SECTION 3. A new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Farm finance program. Acting as the farm finance agency, the industrial commission may establish the first-time farmer finance program to encourage first-time farmers to enter into and remain in the livelihood of agriculture and to provide first-time farmers a source of financing at favorable rates and terms generally not available to them. The first-time farmer finance program is established to allow first-time farmers to utilize the tax-exempt financing provided for in the Internal Revenue Code of 1986, and any amended regulations adopted thereunder.

SECTION 4. A new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

First-time farmer participation. The first-time farmer finance program is limited as required by applicable provisions of the Internal Revenue Code of 1986 and any regulations adopted thereunder, as amended, and under the first-time farmer finance program:

1. Financing may not be made to individuals with a net worth of more than two hundred thousand dollars;

2. Financing may not be made to an individual in an aggregate amount in excess of two hundred fifty thousand dollars; and
3. Financing may only be made to first-time farmers for the acquisition of land in the state of North Dakota, livestock, farm improvements, and equipment to be used for farming purposes.

SECTION 5. A new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Financing. Financing may be accomplished by the issuance of evidences of indebtedness by the industrial commission acting as the farm finance agency and the entering into of a financing agreement between the industrial commission acting as the farm finance agency and lenders or individuals. Any financing agreement entered into between the industrial commission and any lender or individual is payable as to principal and interest only from the payments made thereon by the first-time farmer, and the financing agreement and any evidence of indebtedness may not constitute a debt of the state of North Dakota or any agency or instrumentality thereof within the meaning of any constitutional or statutory debt limit.

SECTION 6. A new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Policies. Before exercising any of its powers as the farm finance agency pursuant to subsection 2 of section 54-17-09, the industrial commission shall adopt policies and rules relating to any or all of the following:

1. Procedures and documentation for the submission of requests for financing; and
2. Provisions necessary for compliance with the Internal Revenue Code of 1986 and any regulations adopted thereunder, as amended.

SECTION 7. A new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Financing exempt from taxation - Exception. Evidences of indebtedness issued under the provisions of the first-time farmer finance program, and the interest therefrom, is exempt from any taxes of the state, except inheritance, estate, and transfer taxes.

President of the Senate

Speaker of the House

Secretary of the Senate

Chief Clerk of the House

This certifies that the within bill originated in the Senate of the Fifty-fifth Legislative Assembly of North Dakota and is known on the records of that body as Senate Bill No. 2398.

Senate Vote: Yeas 45 Nays 1 Absent 3

House Vote: Yeas 76 Nays 18 Absent 3

Secretary of the Senate

Received by the Governor at _____ M. on _____, 1997.

Approved at _____ M. on _____, 1997.

Governor

Filed in this office this _____ day of _____, 1997,

at _____ o'clock _____ M.

Secretary of State