

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/14/2019**

Revised  
 Bill/Resolution No.: HB 1476

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>						
<b>Appropriations</b>						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
<b>Counties</b>			
<b>Cities</b>			
<b>School Districts</b>			
<b>Townships</b>			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1476 creates income tax credits for agricultural asset owners and beginning farmers.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of HB 1476 creates two new income tax credits. One of the credits is allowed to individuals who sell or lease their agricultural assets to a beginning farmer. A second credit is allowed to a beginning farmer who participates in a financial management program approved by the North Dakota Credit Review Board (Board). The Board must approve and certify individuals' eligibility for the credits.

For agricultural asset owners, the amount of the credit varies depending on whether the assets are sold or leased to the beginning farmer. If the assets are sold, the credit rate is 5% of the sales price. If the assets are leased, the credit rate is 10% or 15% of the gross rental income, depending on whether the contract is for cash or for a share of crops or livestock, respectively. In the case of a lease, the credit is allowed in each of three tax years. If the credit exceeds the tax liability in a tax year, the excess credit may be carried over to subsequent tax years for up to 15 years.

For beginning farmers, the credit equals the cost of participating in the financial management program during the tax year. An individual may claim this credit for up to three years of participation. A three-year carryover period is allowed for an unused credit.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

If enacted, HB 1476 may reduce state general fund revenues for the 2019-21 biennium. The amount of the reduction, if any, cannot be determined because the extent of any qualifying activity is not known.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*
- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

**Name:** Kathryn Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 701.328.3402

**Date Prepared:** 01/28/2019

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/14/2019**

Bill/Resolution No.: HB 1476

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**Name:** Kathryn Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 701.328.3402

**Date Prepared:** 01/26/2019

**2019 HOUSE FINANCE AND TAXATION**

**HB 1476**

# 2019 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1476  
1/29/2019  
31669

- Subcommittee  
 Conference Committee

Committee Clerk: Mary Brucker

### Explanation or reason for introduction of bill/resolution:

A bill relating to the creation of an individual income tax credit for beginning farmers.

### Minutes:

Attachments 1-3

**Chairman Headland:** Opened hearing on HB 1476.

**Representative Boschee:** Introduced bill. Distributed written testimony, see attachment 1. Ended testimony on 4:02.

**Chairman Headland:** At one time I was a beginning farmer and I understand the difficulty with trying to rent land to get started. In my day retiring farmers were more willing to want to see a young farmer get started. I had help along the way from retiring farmers. Is that day behind us and now we have to use the arm of government to encourage greedy landowners to rent their property to a young farmer? The average age of a farmer is 57 years old now so I understand what you're trying to do with this bill. We'll have to see where this goes in our committee. We are at a time when we have unlimited requests for tax credits. The committee watches very carefully because there is a fairness issue on who is getting a credit and who isn't.

**Representative Boschee:** Your comments are very similar to other agricultural groups in terms of trying to understand this change in philosophy especially when land prices are at a premium right now. This is often seen as a retirement account for these farmers. Instituting a credit such as this maybe allows them to draw out that retirement account and support the next generation of farmers. There was discussion with some of the co-sponsors as this was being developed. Minnesota legislation doesn't allow property to be transferred from one family member to another but we left that out as family farms are an important part of our state.

**Chairman Headland:** Is there further support?

**Ross Lockhart, Cass County farmer:** Distributed written testimony, see attachment 2. Ended testimony at 12:43.

**Chairman Headland:** We prohibit investment from non-family members in agriculture through our tax structure, our corporate farming laws. This bill would go the opposite direction and not allow the tax credit to be utilized by families. I understand why the bill does that because generally that's how farming has progressed. Fewer and fewer family members are willing to farm. Why would we limit it to non-families when other parts of our tax code would limit investment? In my mind the lack of being able to invest with non-family members is one of the biggest problems agriculture faces in North Dakota. Can you determine why it works on one side of the equation and not the other?

**Ross Lockhart:** This bill doesn't preclude any family farm transfers. I mentioned perhaps having safeguards and having tax codes to facilitate the transfers that wouldn't necessarily occur. I have no problem supporting a family farm agriculture in North Dakota. I am a family farmer myself and I support our industry.

**Representative Mitskog:** I am very excited to hear something addressing agriculture in North Dakota. I know a number of individuals without children for farm successions but I know many farmers who have hired men and they've expressed that they want to keep these people on the farms. I would assume this proposed legislation would address that.

**Ross Lockhart:** Absolutely. This would facilitate those types of transfers. If they are truly passionate about getting into this industry, then they'll be able to take advantage of this tax credit.

**Representative Mitskog:** With ag land prices in the valley do you know numbers regarding ownership of non-farmer owned land?

**Ross Lockhart:** I don't know those numbers off the top of my head. I farm part-time and my wife and I have a small vegetable farm. There's increasing pressure from outside investors coming in and buying up farmland way above of what could be returned on the cost of production. It is difficult for us to compete in that market. There is an increasing amount of pressure for those folks to have those opportunities.

**Chairman Headland:** What precludes you from competing, access to capital?

**Ross Lockhart:** I don't have the land base which to draw equity. Capital is an impediment. I have that family connection so I was able to get started. We're not looking to rent 1,200 acres for vegetables. There are programs out there designed to help beginning farmers and we have taken advantage of those in the past. Between financing and this tax credit bill it's kind of like the chicken or the egg scenario. I could go into my ag lender but if I don't have any land to use that money on then it really doesn't help me. I think you need to have that opportunity for the land first then the capital would kick in.

**Chairman Headland:** Is there further support?

**Mary Jensen, North Dakota Farmers Union:** Distributed written testimony, see attachment #3.

**Chairman Headland:** Most of us in agriculture understand that lack of available capital is the biggest impediment to farming today. Our antiquated laws in North Dakota preclude that from being aided by allowing investment outside of a family structure. The government is hindering that possibility for that investment on one hand but on the other hand we're asking the government to get involved through the tax credit and encourage helping them to get started. If they had access to capital, then maybe they wouldn't need the government to intercede.

**Mary Jensen:** Access to land is one of the biggest impediments for beginning farmers to get into farming and ranching. They can go in and get loans but if they can't gain access to the land it does them no good. That helps incentivize them by getting access to land so they can get into farming.

**Chairman Headland:** You're saying if the government would encourage a property owner through a tax credit to rent his land to someone who probably couldn't access the capital. Is that how we're going to encourage people into agriculture?

**Mary Jensen:** I don't know if it's that they can't access the capital it's that they can't access the land if people aren't willing to sell that to them. Retiring farmers are hesitant to sell to beginning farmers because they are somewhat of an unknown entity. This would help incentivize that and encourage them to do that to alleviate some of those concerns.

**Chairman Headland:** But if they were able to join together outside the family structure with their capital they could do it without having a tax credit provided to them. Government would be out of it.

**Mary Jensen:** Individuals can already join together under other business structures so we don't see that as an impediment to beginning farmers getting started.

**Chairman Headland:** Individuals cannot join together under a corporate structure in agriculture because of our antiquated corporate farming laws.

**Mary Jensen:** We respectfully disagree. There are different entities that farmers can join in together for business structures. Access to land is one of those impediments and we think this bill would alleviate some of those impediments.

**Chairman Headland:** Could you list those structures for me?

**Mary Jensen:** I believe they are options of general partnerships or limited liability partnerships just to name a few.

**Chairman Headland:** Involving non-family members?

**Mary Jensen:** I can't speak to that but there are other business structures that are available.

**Representative Fisher:** When we had the joint hearing of agriculture earlier there seems to be a lack of livestock. There is a difference in our farm organizations. We need to resolve that somehow so we can move forward with agriculture. I think there is more to it. We need



better answers to those questions, the definition between corporate farming and family farms. I think there is a root issue here that needs a response.

**Mary Jensen:** I believe there is a bill pending on that. We believe this is a very good bill and a good incentive. We have a different opinion on corporate farming structure and how that prohibits. This bill is specifically for beginning farmers and would be a great way of incentivizing farmers to help people get into the business.

**Representative Fisher:** I understand family farming. There are issues that are barriers to modern agriculture continuing in our great state. I think we need to continue these conversations in all forms.

**Chairman Headland:** Is it Farmers Union's position that the government creating incentives to encourage agriculture is a better way to go than allowing investors outside a family structure to encourage development and further development of agriculture, which most of us believe wouldn't need government intrusion or a government incentive?

**Mary Jensen:** We have a policy that supports state and federal tax incentives for beginning farmers so that is why we're supporting this bill.

**Chairman Headland:** Further support?

**Karen Aarons, registered dietician:** I see a connection between the food we grow and the food we eat. In North Dakota nine out of ten people are not eating enough fruits and vegetables so I believe there is a great market and opportunity to bring more North Dakota foods to North Dakota plates. I also support opportunities for beginning farmers. Our farmers are growing older and are of retirement age. We, as a state, can support new and young farmers beginning through opportunities like this.

**Chairman Headland:** Further support?

**Dan Wogsland, Executive Director for the North Dakota Grain Growers Association:** This is another tool in the tool chest. We all recognize the need for new and beginning farmers in North Dakota. This is one avenue of many that is open and available to us. We hope the committee chooses this.

**Representative Trottier:** We've gone through a period of time now when many farmers were discouraging their children from becoming farmers.

**Dan Wogsland:** Absolutely. We've got a chance with the public sector but we also need the private to join in. The population of our farmers are getting older and we need our young farmers to come in.

**Chairman Headland:** Further support? Is there opposition? Seeing none we will close the hearing on HB 1476.

**Chairman Headland:** We're open to discussion. I don't see this as being the impactful piece of legislation that the sponsors believe it will be. It would be another mechanism to try and

encourage behavior in offering a credit but I think in most cases this can be further shown, from information from the Bank of North Dakota has on the beginning farmer fund, that it is mostly on real estate loans from family to family. I don't know that we need a tax credit to encourage a father to sell his son his property. I'm voting against this bill.

**Representative B. Koppelman:** This is a solution to a problem possibly created by other statutes we have on the books. We're trying to create opportunity because we restricted other opportunities from coming. **MADE A MOTION FOR A DO NOT PASS.**

**Representative Kading: SECONDED**

**Chairman Headland:** Discussion.

**ROLL CALL VOTE: 10 YES 3 NO 1 ABSENT  
MOTION CARRIED**

**Representative Trottier will carry this bill.**

Date: 1-29-19  
 Roll Call Vote #: 1

**2019 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1476**

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: \_\_\_\_\_

Recommendation:  Adopt Amendment  
 Do Pass  Do Not Pass  Without Committee Recommendation  
 As Amended  Rerefer to Appropriations  
 Place on Consent Calendar  
 Other Actions:  Reconsider  \_\_\_\_\_

Motion Made By Rep. Koppelman Seconded By Rep. Kading

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland	✓		Representative Eidson		✓
Vice Chairman Grueneich	✓		Representative Mitskog		✓
Representative Blum	✓				
Representative Dockter	✓				
Representative Ertelt	✓				
Representative Fisher	✓				
Representative Hatlestad		✓			
Representative Kading	✓				
Representative Koppelman	✓				
Representative Steiner	✓				
Representative Toman	✓				
Representative Trottier	A				

Total (Yes) 10 No 3

Absent 1

Floor Assignment Rep. Trottier

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**HB 1476: Finance and Taxation Committee (Rep. Headland, Chairman)** recommends **DO NOT PASS** (10 YEAS, 3 NAYS, 1 ABSENT AND NOT VOTING). HB 1476 was placed on the Eleventh order on the calendar.

**2019 TESTIMONY**

**HB 1476**



North Dakota  
House of  
Representatives

State Capitol  
600 East Boulevard Avenue  
Bismarck, ND 58505-0360

Representative  
Josh Boschee  
District 44  
517 First Street North  
Fargo, ND 58102-4540  
C: 701-367-3513  
jboschee@nd.gov  
Minority Leader

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January 29, 2019

HB 1476 Testimony  
House Finance & Tax Committee

Good Morning Chairman Headland and members of the House Finance & Tax Committee. For the record, I am Josh Boschee and I represent District 44 here in the House of Representatives.

House Bill 1421 was introduced as a policy proposal that identifies a possible solution to address and incentivize supporting beginning farmers and ranchers throughout our state. While called a tax credit for beginning farmers, most of the credit would benefit farmers who are seeking an exit from farming by supporting new or beginning farmers seeking land to purchase for their own operation.

It is modeled after bipartisan legislation that passed in Minnesota in 2017 and was supported by a strong coalition of agriculture groups including the MN Farm Bureau, MN Farmers Union, the National Young Farmers Coalition and a number of commodity groups. It is my understanding that a number of other states are looking at this policy to address the issue of land access, which is identified as the number one barrier by young farmers in the 2017 Young Farmers Survey. I have provided a link to this survey to you all by e-mail and attached a couple of pages from the 86 page document for your review this morning.

Following my testimony, you will hear from beginning farmers who will share their own experiences with you and their hope that this tax credit may reduce some of the barriers they have faced.

The definition of beginning farmer is pulled from the Beginning Farmer Loan Program administered by the Bank of North Dakota. This definition can be found in Chapter 6-09.8-01 of the Century Code, which reads that a beginning farmer:

- A) Is a resident of this state;
- B) Receives more than half of that person's gross annual income from farming, unless the person initially commences farming during the year of the application under this chapter;
- C) Intends to use any farmland to be purchased or rented for agricultural purposes;
- D) Is adequately trained by education in the type of farming operation which the person wishes to begin on the purchased or rented land referred to in subdivision c through satisfactory participation in the adult farm management education program of the state board for career and technical education or an equivalent program approved by the agriculture commissioner; and
- E) Has, including the net worth of any dependents and spouse, a net worth of less than one hundred thousand dollars, not including the value of their equity in their principal residence, the

value of one personal or family motor vehicle, and the value of their household goods, including furniture, appliances, musical instruments, clothing, and other personal belongings.

The credit can be accessed by a land owner in three different ways:

- 1) 5% of the sale price of the agricultural asset (defined as land, livestock, facilities, buildings and machinery used for farming in the state); or
- 2) 10% of the gross rental income in each of the first, second and third year of a rental agreement; or
- 3) 15% of the cash equivalent of the gross rental income in each of the first, second and third years of a share rent agreement.

This credit would be able to be carried forward for up to 15 years in the event that the credit exceeds the limitation.

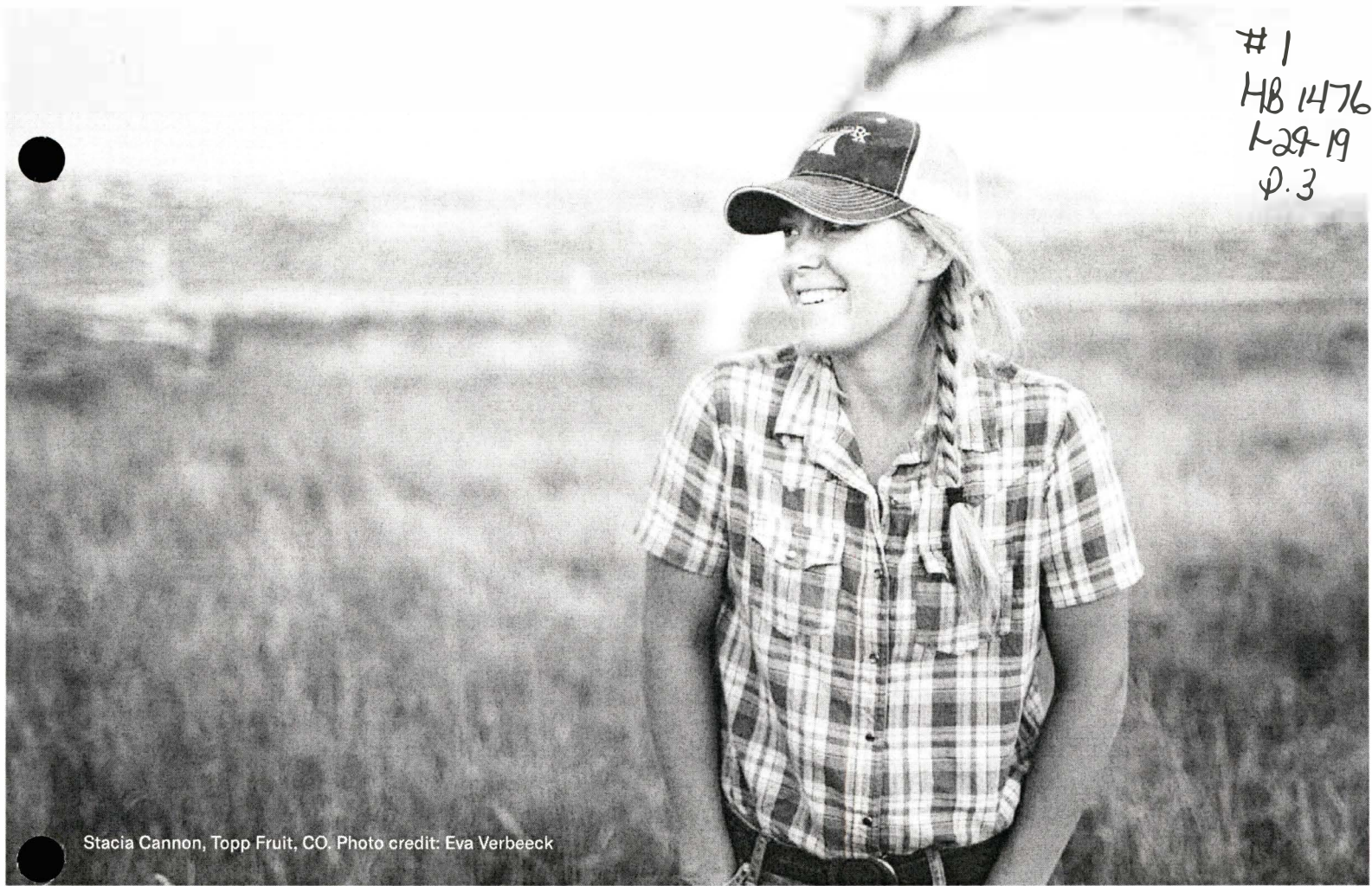
The credit can be accessed by the beginning farmer equal to the cost of participating in a financial management program approved by the board. Currently, the farm management program administered by Career & Technical Education ranges from \$650-\$750 per participant.

Finally, in drafting the legislation, I thought it would be appropriate to have the Credit Review Board, which operates as a function of the state Department of Agriculture, to approve and certify the party's eligible for the credits as they also assist with the Beginning Farmer Loan Program managed by the Bank of North Dakota.

Chairman Headland and members of the committee, it is my hope that the committee identify ways to make this legislation work for North Dakota as a tool to assist new and/or beginning farmers and ranchers access land that may otherwise go another buyer. I truly believe that a program like this could help strengthen the next generation of farmers and ranchers throughout our great state.

I appreciate the committee's consideration of this legislation and I will try my best to answer any questions committee members may have.

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Stacia Cannon, Topp Fruit, CO. Photo credit: Eva Verbeeck

# EXECUTIVE SUMMARY

## **Our Purpose**

The National Young Farmers Coalition (NYFC) represents, mobilizes, and engages young farmers and ranchers to ensure their success. We tackle the most critical structural and economic issues that prevent motivated young people from succeeding in farming and ranching. In January and February 2017, we conducted a National Young Farmer Survey to ensure our work is grounded in the needs of young farmers and to offer policymakers recommendations to address these needs ahead of the next farm bill.

In this report, we present responses from 3,517 past, current, and aspiring farmers under 40 years old across the U.S. and a policy platform to ensure that farmers today—and future generations tomorrow—can continue to grow food for our nation.



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## **An Aging Farm Population**

Farmers over the age of 65 now outnumber farmers under 35 by a margin of six to one, and U.S. farmland is overwhelmingly concentrated in the hands of older farmers. Nearly two-thirds of farmland is currently managed by someone over 55.<sup>1</sup> The National Agricultural Statistics Service estimates that over the next five years—the lifespan of the next farm bill—nearly 100 million acres of U.S. farmland are expected to change ownership<sup>2</sup> and will need a new farmer.

Fortunately, many young Americans are stepping up and launching new farm businesses. For only the second time in the last century, the 2012 Census of Agriculture registered an increase over the previous census in the number of farmers under 35 years old.<sup>3</sup> These young farmers are entrepreneurial and tough, but they are finding that talent and hard work alone may not equate to farm success. There are many structural barriers standing in their way—and the stakes have never been higher.

## **Hope, Despite It All**

Young farmers face serious obstacles to launching and growing their farm businesses: they can't afford farmland; student debt is compromising their ability to capitalize their businesses; adequate labor and support staff are difficult to recruit; and health insurance is unaffordable. Federal and state policies are underserving these needs, and many young farmers are not accessing the programs designed to help.

Our survey illustrated a challenging economic picture for young farmers. Sixty-one percent of individual respondents reported needing another job to make ends meet, and fewer than half own all the acres they're farming. Indicators tracked by USDA also suggest trends in the agricultural economy are hitting young farmers especially hard. According to Dr. Robert Johansson, USDA's Chief Economist, young farmers and those who rent more of their land tend to be far more in debt relative to their assets.<sup>4</sup> In 2015, farmers under 35 years old had an average debt-to-asset ratio of 28%, compared to 16% for those aged 45 to 54, and only 11.5% for those aged 55 to 64.<sup>5</sup>

Despite the challenges, young farmers are hopeful. The majority of young farmers said that they are making, or will eventually make, sufficient income in farming to meet their life goals.



## ACCESS TO LAND

Secure land tenure is a fundamental component of a viable farm business. Land access is the top challenge cited by current farmers, aspiring farmers, and those who have stopped farming. In this survey, 39% of respondents who are current farmers cited land access as a significant challenge, with 17% calling it the most significant challenge they face. Both first-generation and multigenerational farmers cited land access as their top challenge.



## STUDENT LOAN DEBT

Among current farmers, 29% called their student loan debt a significant challenge, with 10% citing it as the most significant one. Farming is a capital-intensive and risky undertaking, and accessing credit for farming is already difficult. When saddled with thousands of dollars of student loan debt, many young farmers are denied loans to launch or grow their farm businesses.



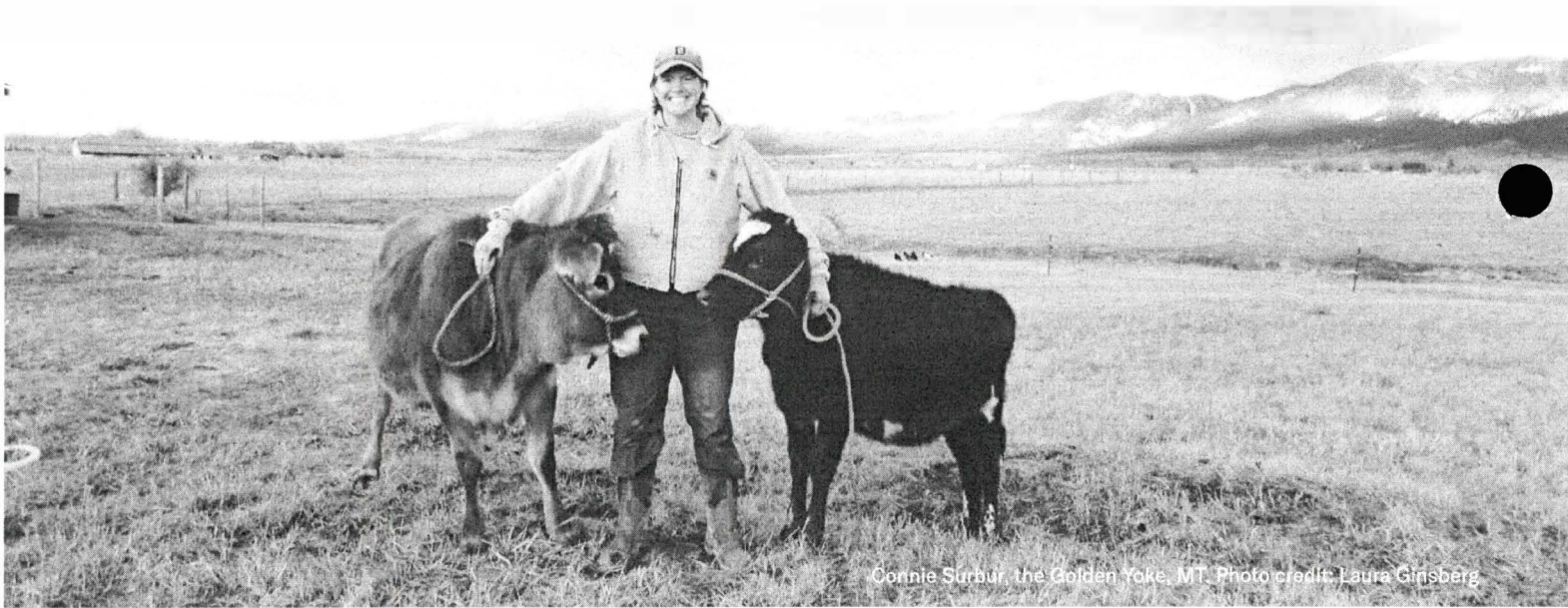
## LABOR

The shortfall of skilled farm labor is affecting young farmers as well as the general farm community. Thirty percent of respondents cited labor as a significant challenge, with 10% citing it as their biggest challenge.



## HEALTH INSURANCE

Farming is a dangerous, physically strenuous occupation. For young farmers, many of whom are in the early years of starting and growing their farm business and their families, lack of affordable health insurance puts them, their families, and their businesses at significant risk. Nearly half of respondents cited health care as a significant challenge, and 8% said it was their most significant challenge.



Connie Stirbur, the Golden Yoke, MT. Photo credit: Laura Ginsberg

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## Who Are the Nation's Young Farmers?

With the help of 94 partner organizations, NYFC surveyed 4,746 total respondents in January and February 2017. After limiting the sample to respondents under 40 years old living in the United States, our sample totaled 3,517 aspiring, current, and former farmers.<sup>6</sup>

### **WOMEN**

60% of survey respondents were women.

### **NOT FROM FARM FAMILIES**

75% of survey respondents did not grow up on a farm.

### **HIGHLY EDUCATED**

69% of survey respondents had degrees beyond high school.

## **MORE LIKELY TO BE FARMERS OF COLOR OR INDIGENOUS FARMERS THAN THE NATIONAL AVERAGE**

The proportion of people of color and indigenous farmers in our survey was roughly twice that of the 2012 Census of Agriculture.<sup>7</sup>

### **GROWING VEGETABLES AND LIVESTOCK ON DIVERSIFIED FARMS**

72% of survey respondents grew vegetables, and 81% of respondents said they grew two or more types of products. While just 25% said livestock made up the highest percentage of their sales, many more are using animals to diversify their farms.

### **SELLING DIRECTLY TO CONSUMERS**

Community supported agriculture (CSA) and farmers markets were the marketing channels that made up the highest proportion of farm sales.

## **ENVIRONMENTAL STEWARDS**

75% of farmers described their practices as "sustainable," and 63% described their practices as "organic," though many of them have not sought certification.

6. Our sample is not randomly selected nor statistically modeled to represent all young farmers in the U.S.

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Good Morning Mr. Chairman and Distinguished Committee Members.

My name is Ross Lockhart. I am a 4<sup>th</sup> generation farmer from rural Cass County. I am a Southeast District Director of the ND Crop Improvement and Seed Association, Treasurer of the Traill County Crop Improvement Association, Southeast District Director of the ND Farmers Market and Growers Association, Cass County Farmers Union, <sup>Board Member</sup> and Co-Founder of the Northern Small Farm Alliance. While I am not here today as an official representative of any of these groups, I mention my affiliation with them because I want you to understand my deep commitment to agriculture both as a profession and a vital industry to the State of North Dakota. I am here today to testify in support of HB 1476, a bill that—if enacted—could dramatically enhance the prospects of beginning farmers and ranchers in North Dakota.

According to the USDA's 2012 Census of Agriculture, the average age of principal farm operators in North Dakota was 57 years old. Among all farm and ranch operations in North Dakota, farmers age 55 and older outnumber farmers under the age of 35 by a margin of five to one (**repeat: 5 to 1**). These gaps have only widened in recent years as the barriers to entry into agriculture have become much steeper as the price of farmland has skyrocketed and the price of essential farm inputs like seed, fertilizer, and machinery have increased substantially as well. In fact, a recent nation-wide study of beginning farmers conducted by George Washington University and commissioned by the National Young Farmers Coalition found that land access—particularly finding and affording land on a farm income—is **the** most significant barrier to starting a farm, the top reason why farmers quit farming, and why aspiring farmers haven't yet started.

When my wife and I started farming just 6 years ago, I will admit that I didn't pay much attention to the many systemic barriers impeding the next generation of farmers as I was one of the lucky ones who was born into a multi-generational farm. In particular, we started out growing fresh fruits and vegetables on a small parcel of rented family land not far from where I grew up. As our farm business grew, we came to realize that we needed to buy some land in order to make the type of long-term investments our business required to be successful. Our search for a suitable farm lasted *five years*, but we were finally able to move our operation to its permanent location last year...and we consider ourselves lucky.

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However, despite my good fortune in having a family connection in agriculture, I quickly came to realize that stories like mine are no longer the norm, but rather the exception. Hidden within the USDA statistics I mentioned earlier is the sad reality that fewer and fewer farms have family members willing or able to take over the family farm. If you don't believe me, just visit any farm auction website and you're sure to notice—as I often do—an alarming number of upcoming farm retirement auctions with no apparent successor stepping forward to take over the reins.

So how do we address these complex challenges facing the future of agriculture in North Dakota? How do we re-vitalize our rural communities and encourage our state's youth that agriculture is a viable career path? How do we level the playing field for the next generation of farmers?

HB 1476 is a win-win for beginning farmers and the asset owners described in the bill's text because it incentivizes the transfer of agricultural assets to qualified beginning farmers via a tax credit. Tax credits are important because they lower a taxpayer's tax liability and serve as a stimulus to the economy by allowing individuals to retain a greater proportion of their income generated from a beginning farmer. This bill will create opportunities in a sector of our economy that desperately needs a victory. Young and aspiring farmers have the passion and courage to take on all the risks associated with running a farm or ranch...what they lack are opportunities.

However, as you continue your deliberations related to HB 1476, I urge you to consider the following modifications:

- 1) First, I urge the committee to consider changing the definition of a beginning farmer to align with USDA's definition, which applies to farms in their first 10 years of operation and not larger than 30 percent of the average size in a given county;
- 2) Second, I urge the committee to consider building in some safeguards to prevent this program from being abused. For instance, the committee may consider adding language to exclude certain types of arrangement between direct family members;
- 3) Finally, I urge the committee to give this bill a "DO PASS" recommendation.

Thank you for your time.



#3  
HB 1476  
1-29-19

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**Testimony of  
Mary Jensen  
North Dakota Farmers Union  
Before the  
House Finance and Taxation Committee on HB 1476  
January 29, 2019**

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Chairman and Members of the Committee,

My name is Mary Jensen and I am here on behalf of the members of North Dakota Farmers Union.

According to a poll commissioned by NDFU in January 2018, North Dakota beginning farmers and ranchers cited "access to land" as one of the biggest obstacles for entry into farming and ranching.

NDFU's policy favors the enactment of federal and state tax incentives for landowners to sell or lease land to beginning or smaller-than-average-sized farmers.

NDFU supports HB 1476 because the bill provides owners of "agricultural assets" (land, livestock, facilities, buildings, and machinery) with an income tax credit if they rent or sell those assets to a beginning farmer under a qualified rental agreement.

We support HB 1476 and we urge a do pass on this bill.

Thank you for your time. I will stand for questions.

