



Representative Susan Manchester

84th House District

Representative Mary Lightbody

19th House District

Sponsor Testimony: House Bill 95

Tuesday, September 28, 2021

Good morning Chairman Blessing, Vice Chair Roegner, Ranking Member Williams, and Members of the Senate Ways and Means Committee. Thank you for the opportunity to testify in support of House Bill 95, which creates the Beginning Farmer Tax Credit Program.

The average age of the U.S. farmer is currently 58. Recognizing the need to help the next generation of farmers get started in a very capital intensive industry, this program will allow income tax credits for established farmers as they sell or rent their agricultural assets to beginning farmers who take a qualified financial management course. A similar program was successfully implemented in Minnesota in 2018, which has already enabled 162 established farmers to sell or rent land to beginning farmers and allocated \$1.4 million in tax credits.

The potential benefits of this program are great. I've seen this scenario played out firsthand in my own district, where retiring farmers without family successors are looking for someone to take over their operation, but face tough financial barriers when selling their land or assets. This program would incentivize retiring farmers to look to beginning farmers to take over their operations by decreasing their tax burden. It would also set beginning farmers up for success by giving them an opportunity to learn more about the financial management of a farm operation.

In the program, a beginning farmer is defined as an individual who has not operated a farm or who has not operated a farm for more than 10 consecutive years. To enter the program, beginning farmers will need to receive a certification from the Department of Agriculture by meeting requirements such as:

- Enrolling in a financial management program,
- Providing positive projected earnings statements,
- Having a net worth less than \$800,000.

The credit to the agricultural asset owner will be:

- 5% of the sale price of the agricultural asset,
- 10% of the gross rental income received during each of the first three years of the rental agreement, or
- 15% of the cash equivalent of the gross rental income received during each of the first three years of a share rental agreement.

The credit must be claimed for the taxable year during which the sale of agricultural assets occurs. In cases of rent or share rent agreements, the credit must be claimed for three taxable years of the agreement. The program is limited to five years and the total amount of tax credits awarded is limited to \$10 million over those five years.

This legislation was previously introduced in the 133rd general assembly as House Bill 183. It passed unanimously from the House Agriculture and Rural Development Committee. The bill is supported by the Ohio Farm Bureau Federation and Nationwide Insurance, and also has the support of the major agricultural commodity groups.

I am grateful for the opportunity to introduce this legislation, which will bring the next generation of Ohio farmers into the agriculture industry and ease the financial burden for retiring farmers. House Bill 95 was unanimously voted out of the House Agriculture and Conservation Committee and passed the House Chamber with a vote of 96-1. Again, thank you to the committee for the opportunity to testify and to Representative Lightbody for her partnership on this legislation. We look forward to answering any questions you may have.