



CO-SPONSORSHIP MEMORANDUM

TO: All Legislators

FROM: Representatives Jenna Jacobson and Dave Considine
Senator Mark Spreitzer

DATE: January 31, 2024

RE: Co-sponsorship of LRB 5758, the Farming Forward Program, relating to: income tax credits for beginning farmers and owners of farm assets and making an appropriation.

DEADLINE: February 9, 2024

Family farms are central to Wisconsin's history, culture, and infrastructure. Wisconsin's farmers have long been strong stewards of our environment and are critical for improving our food security and water quality. Wisconsin's agricultural heritage and family farms are the backbone of our rural communities and our state.

However, family farms in our state are threatened: Wisconsin's farmers are aging, the number of farms is declining, and farmland acreage is decreasing. According to the most recent Census of Agriculture in 2017, the average age of a farm producer in Wisconsin is 56 years, and there are more than twice as many farm producers between the ages of 55 and 74 as between the ages of 25 and 44. Between 2011 and 2021, the number of farms in Wisconsin decreased by over 16% and total farm acreage fell by over 5%.

Farmers across Wisconsin have shared that one of the biggest hurdles to continuing and strengthening our agricultural legacy is expensive startup costs. A 2022 nationwide survey conducted by the National Young Farmers Coalition highlighted that the top challenge cited by young and aspiring farmers was finding affordable land to buy, with 59% citing this as very or extremely challenging. In the same survey,

41% of respondents said that finding access to capital was very or extremely challenging. At the same time, many farmers who are looking to retire rely on income from selling or leasing the farm to fund their retirement, and may not be able to afford to sell or lease their land at a discount to a beginning farmer.

To address these issues, LRB 5758 creates the *Farming Forward Program*. This program provides a 5% refundable tax credit to beginning and existing farmers for the sale or lease of agricultural assets, including farmland. The beginning farmer may also claim a credit equal to 5% of the amount they paid for improvements on agricultural assets consisting of land and facilities. This tax credit cannot exceed \$75,000 in a calendar year and, in the case of a lease, can be claimed for up to three years per asset.

The bill defines a beginning farmer as someone who has farmed less than 10 years and has a net worth of less than \$200,000. The tax credit would be available for the sale or lease of agricultural assets including land, machinery, equipment, facilities, or livestock.

Providing refundable tax credits to the farm asset owner – generally an established farmer that is renting or selling the land to a beginning farmer – creates an important incentive to sell or rent assets to beginning farmers at a more affordable price. Providing refundable tax credits to beginning farmers for assets or improvements ensures that they have the opportunity and capital needed to begin, maintain, and develop a farm.

These incentives will allow the *Farming Forward Program* to support and grow our state's family farms, and continue to ensure future generations of century farms.

LRB 5758 was modeled on a previous beginning farmer tax credit program in Wisconsin, as well as successful programs in Minnesota and Iowa. This bill was drafted in consultation with DATCP and DOR, and has the support of the Wisconsin Farm Bureau Federation, the Wisconsin Farmers Union, the Dairy Business Association, and the Wisconsin Agri-Business Association.

To be added as a co-sponsor of this bill, please reply to this email or contact Representative Jacobson at rep.jacobson@legis.wisconsin.gov or 608-237-9143 by 5:00pm on February 9. Cosponsors will be automatically added to both the Assembly and Senate companion bills unless otherwise requested.

Analysis by the Legislative Reference Bureau

This bill creates an income tax credit for a beginning farmer who leases or purchases agricultural assets from an asset owner and uses the assets for farming and for a person whose assets are leased or sold to a beginning farmer. Under the bill, a beginning farmer is a person who has a net worth of less than \$200,000 and who has farmed for fewer than 10 years. The bill defines "agricultural assets" as land assessed for property tax purposes as agricultural land or machinery, equipment, facilities, or livestock that is used in farming. The amount of the credit is equal to 5 percent of the lease amount or sales price paid by the beginning farmer to an asset owner for agricultural assets for the taxable year and 5 percent of the lease amount or sales price received by the asset owner from a beginning farmer for agricultural assets for the taxable year. The beginning farmer may also claim a credit equal to 5 percent of the amount the farmer paid for improvements on agricultural assets consisting of land and facilities. The

maximum amount that a claimant may receive in any taxable year is \$75,000 and maximum amount of the credit for all claimants in any taxable year is \$5,000,000.

Under the bill, in order to claim the credit, both the beginning farmer and the asset owner must submit an application to the Department of Agriculture, Trade and Consumer Protection. The beginning farmer must submit a business plan with the beginning farmer's application and provide a description of the beginning farmer's education, training, and experience in the type of farming in which the beginning farmer uses the leased or purchased agricultural assets.

For further information see the state fiscal estimate, which will be printed as an appendix to this bill.