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Nebraska Leads the Way to Help Beginning Farmers and Ranchers

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CORNHUSKER ECONOMICS

University of Nebraska–Lincoln Extension

Nebraska Leads the Way to Help Beginning Farmers and Ranchers

Nebraska continues to lead the nation with efforts to provide an incentive for owners of agricultural assets to rent those agricultural assets to beginning farmers and ranchers. The **Nebraska Beginning Farmers Tax Credit** program provides owners of Nebraska agricultural assets such as land, livestock, machinery, grain storage, livestock facilities or irrigation equipment a state income tax credit incentive to rent to a beginning farmer/rancher, rather than someone that is more established. Owners of Nebraska agricultural assets can earn a ten percent state income tax credit for providing a beginner a three-year cash lease, or a fifteen percent state income tax credit for providing a beginner a three-year share lease. Owners can be either individuals or business entities such as trusts, partnerships, corporations or limited liability companies (LLC). In order for owners of Nebraska agricultural assets to benefit from the Beginning Farmer Tax Credit program, they must of course, be Nebraska residents or be subject to paying Nebraska state income tax.

Tax Credit Information for the Owner of Agricultural Assets

Owner of Agricultural Assets Eligibility Criteria:

- ★ Must own Nebraska agricultural assets such as land, livestock, machinery, grain storage, livestock facilities or irrigation equipment.
- ★ Can be an individual or a business entity such as a trust, partnership, corporation or LLC.

Owner of Agricultural Assets Will Receive:

- ★ A refundable state income tax credit equal to ten percent of the cash rent or a refundable state income tax credit equal to fifteen percent of the value of the share rent received each year for three years.

Market Report	Yr Ago	4 Wks Ago	1/27/12
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.....	\$104.00	\$122.04	\$122.00
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.....	146.75	167.36	189.01
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.....	126.11	150.65	153.90
Choice Boxed Beef, 600-750 lb. Carcass.....	173.25	193.79	184.26
Western Corn Belt Base Hog Price Carcass, Negotiated.....	80.41	78.54	85.07
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean.....	7.79	85.82	84.14
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct.....	164.75	*	147.50
National Carcass Lamb Cutout, FOB.....	348.73	397.92	387.00
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu.....	7.66	6.49	6.27
Corn, No. 2, Yellow Omaha, bu.....	6.36	6.38	*
Soybeans, No. 1, Yellow Omaha, bu.....	13.66	11.78	*
Grain Sorghum, No. 2, Yellow Dorchester, cwt.....	10.59	10.93	10.93
Oats, No. 2, Heavy Minneapolis, MN, bu.....	3.96	3.20	3.23
<u>Feed</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.....	130.00	155.00	250.00
Alfalfa, Large Rounds, Good Platte Valley, ton.....	72.50	132.50	137.50
Grass Hay, Large Rounds, Good Nebraska, ton.....	*	95.00	100.00
Dried Distillers Grains, 10% Moisture, Nebraska Average.....	195.50	217.50	206.00
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.....	66.00	75.75	71.88
*No Market			

★ **Cash Rent Example:** 100 acres @ \$250 cash rent per acre = \$25,000 total cash rent x 10% = **\$2,500** refundable state income tax credit for each year for three years, for a **three year total of \$7,500** refundable state income tax credit.

Or:

★ **Share Rent Example:** 100 acres yielding 200 bushels per acre x 50% (owner's share) = 10,000 bushels @ \$3.50 per bushel = \$35,000 for owner's share x 15% = **\$5,250** refundable state income tax credit for each year for three years, for a **three year total of \$15,750** refundable state income tax credit.

There is no restriction, as of 2008, regarding owners and tenants being related parties, so parents can receive a tax credit while renting to their children, or grandparents to their grandchildren if they so desire. Many families have found this to be a valuable tool when transitioning the farming/ranching business to the next generation.

Tax Credit Information for the Renter of Agricultural Assets

Renter of Agricultural Assets Eligibility Criteria:

- ★ Farmed or ranched for less than ten of the past fifteen years.
- ★ Has a net worth of less than \$200,000.
- ★ Must be a resident of Nebraska.
- ★ Will plan to farm or ranch fulltime.
- ★ Has farming or ranching experience or education.
- ★ Has participated in an approved financial management educational program.

Renters of Agricultural Assets Will Receive:

- ★ An increased ability to compete for renting agricultural assets.
- ★ The benefit of leasing agricultural assets for a three year period.
- ★ The opportunity to attend a Financial Management class and be reimbursed for the cost.
- ★ A personal property tax exemption for personal property (valued up to \$100,000) that is used in production agriculture or horticulture.

For more information regarding the **Nebraska Beginning Farmer Tax Credit** program contact the Nebraska Department of Agriculture at 800-446-4071 or view the website at:

http://www.agr.state.ne.us/beg_farmer/index.html

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