

CENTER FOR RURAL AFFAIRS

RURAL ACTION BRIEF

SPECIAL EDITION—UPDATE TO NEBRASKA SUBSCRIBERS NOTICE OF FUNDS AVAILABLE

MAY 2006

Rural Nebraska Tax Update

The Beginning Farmer Tax Credit Act...

The **Beginning Farmer Tax Credit Act** was adopted in 1999. This act developed a program to offer beginning farmers and ranchers a needed start in their industry. In 2006, the program was amended by the Legislature in the following ways:

- A refundable credit for individuals who qualify for an income tax credit as a qualified beginning farmer or livestock producer in the **Beginning Farmer Tax Credit Program** for all taxable years after January 1, 2006.
- A qualified beginning farmer or livestock producer in the first, second, or third year of a qualifying three-year rental agreement shall be allowed a one-time credit to be applied against the state income tax liability of such individual for the cost of participation in a financial management program, such as Farm Beginnings, as required for eligibility. The amount of the credit shall be the actual cost of participation in an approved program incurred during the tax year for which credit is claimed, up to a maximum of five hundred dollars.
- A qualified beginning farmer/livestock producer is a resident of Nebraska, has a net worth of no more than \$200,000, and has not farmed or raised livestock for more than ten of the past fifteen years. The applicant must be actively involved in livestock/farming and seeking to make a livelihood in agriculture. The applicant should be involved in a majority of the day to day physical labor and have some experience or education in livestock or farm management. Applicants can participate in a Board approved financial management educational program, such as Farm Beginnings. The applicant and the owner of the agricultural assets can not be related.
- The amount of tax credit approved for an owner of agricultural assets shall be equal to 10% of the gross rental income stated in the rental agreement that is a cash rent agreement or 15% of the cash equivalent of the gross rental income in a rental agreement that is a share-rent agreement. A share-rent agreement means a rental agreement in which the principal consideration given to the owner of agricultural assets is a predetermined portion of the production of farm products from the rented agricultural assets.
- To qualify for the greater rate of credit allowed, a share-rent agreement shall provide for sharing of production expenses or risk of loss, or both, between the agricultural asset owner and the beginning farmer.

For more information contact:

Nebraska Department of Agriculture

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Phone: (402) 471-6890 or (800) 446-4071

www.agr.state.ne.us

[www.http://www.nebraskabeginningfarmer.org/](http://www.nebraskabeginningfarmer.org/)

Center for Rural Affairs

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Livestock Production Tax Credit...

The **Nebraska Advantage Rural Development Act** has replaced the **Employment and Investment Growth Act**, or as it is commonly known as, LB 775. It's provisions were adopted during the 2005 Nebraska Legislative session. In the 2006 Legislature, the program was amended to include livestock production.

A refundable tax credit against state income taxes is allowed to any taxpayer who has an approved application pursuant to the **Nebraska Advantage Rural Development Act**, is engaged in livestock production, and after January 1, 2007, invests at least \$50,000 for livestock modernization or expansion. Livestock expansion or modernization means the construction, improvement, or acquisition of buildings, faculties, or equipment for livestock housing, confinement, feeding, production, and waste management.

The tax credit is refundable and equal to 10% of the investment, not to exceed a credit of \$30,000. The applicant cannot qualify for more than one credit per application under the Nebraska Advantage Rural Development Act.

For more information Contact:

*Nebraska Department of Revenue
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*Nebraska Department of Agriculture
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The Nebraska Microenterprise Tax Credit...

The **Nebraska Advantage Microenterprise Tax Credit Act** will be administered by the Department of Revenue. The purpose of the program is to provide investment tax credits (equal to 20% of the investment) to applicants for creating or expanding micro businesses (five or fewer full-time equivalent employees and subject to a \$10,000 lifetime limit per taxpayer) that contribute to the revitalization of the economically depressed areas through the creation of new or improved income, self-employment, or other new jobs in the area.

Application: a description of the business; projected income and expenditures; the market to be served by the business and the way the expansion addresses the market; the amount of projected investment increases that would generate the credit; the projected improvement in income or creation of new self-employment or other jobs in the distressed area; the nature of the applicant's engagement in the operation of the micro business (must be able to show personal involvement on a continuous basis in the daily management and operation of the business).

A **distressed area** means any or all of the following:

- > an unemployment rate which exceeds the statewide average unemployment rate
- > a per capita income below the statewide average per capita income
- > a population loss between the two most recent federal decennial censuses

Once approved, the Department will authorize tentative investment tax credits to the applicant. Applications will be considered on a first come first serve basis. This program will expire on January 1, 2011 and is limited to \$2 million annually.

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