

# House Bill 2085

Introduced and printed pursuant to House Rule 12.00. Pre-session filed (at the request of House Interim Committee on Revenue)

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Creates refundable income tax credit for renting farmland to beginning farmers for term of three years. Applies to tax years beginning on or after January 1, 2017.

Takes effect on 91st day following adjournment sine die.

## A BILL FOR AN ACT

1  
2 Relating to tax credit for renting farmland to beginning farmers; creating new provisions; amending  
3 ORS 314.752, 316.502 and 318.031; and prescribing an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1. Section 2 of this 2017 Act is added to and made a part of ORS chapter 315.**

6 **SECTION 2. (1) As used in this section:**

7 (a) **"Beginning farmer" means an Oregon resident who has not previously owned**  
8 **farmland that is larger than 30 percent of the average size of all farms in the same county**  
9 **or has operated a farm or ranch as the sole operator for 10 years or less and who:**

10 (A) **Has farming or ranching experience or education;**

11 (B) **Farms or ranches as a full-time occupation;**

12 (C) **Provides the majority of the daily physical labor and management of the farm or**  
13 **ranch; and**

14 (D) **Has a net worth of less than \$200,000.**

15 (b) **"Farmland" means land used for the primary purpose of obtaining a profit in money**  
16 **by raising, harvesting and selling crops or the feeding, breeding, management and sale of,**  
17 **or the produce of, livestock, poultry, fur-bearing animals or honeybees, or for dairying and**  
18 **the sale of dairy products or any other agricultural or horticultural use or animal husbandry,**  
19 **in any combination.**

20 (c) **"Relative" means a child, parent, stepparent, grandchild, grandparent,**  
21 **stepgrandparent, sibling, stepsibling, niece, nephew or first cousin.**

22 (2) **A credit against taxes that are otherwise due under ORS chapter 316 or, if the tax-**  
23 **payer is a corporation, under ORS chapter 317 or 318, is allowed to a taxpayer that rents**  
24 **farmland to a beginning farmer for a term of three years for the purpose of farming or**  
25 **ranching.**

26 (3) **The credit allowed under this section shall be equal to:**

27 (a) **10 percent of the total rent received from the beginning farmer during the tax year;**

28 (b) **15 percent of the value of the taxpayer's share of crops produced on and sold from**  
29 **the farmland by the beginning farmer during the tax year;**

30 (c) **If the farmland is certified organic or transitioning to organic certification, 15 percent**

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 of the total rent received from the beginning farmer during the tax year; or

2 (d) If the farmland is certified organic or transitioning to organic certification, 20 percent  
 3 of the value of the taxpayer's share of crops produced on and sold from the farmland by the  
 4 beginning farmer during the tax year.

5 (4) A taxpayer who rents to a beginning farmer who is also a relative of the taxpayer is  
 6 not eligible to claim the credit allowed under this section unless:

7 (a) The taxpayer and the relative beginning farmer first complete a farm succession  
 8 planning workshop;

9 (b) The taxpayer files a written farm succession plan with the Department of Revenue;  
 10 and

11 (c) Renting farmland to the relative beginning farmer is a component of the taxpayer's  
 12 farm succession plan.

13 (5) Prior to claiming the credit allowed under this section, a taxpayer is required to re-  
 14 ceive written certification of eligibility from the State Department of Agriculture.

15 (6) If the amount allowable as a credit under this section, when added to the sum of the  
 16 amounts allowable as a payment of tax under ORS 314.505 to 314.525, 316.187 (withholding)  
 17 and 316.583 (estimated tax), other payments of tax and other refundable credit amounts, ex-  
 18 ceeds the taxes imposed by ORS chapters 314 to 318 for the tax year (reduced by any  
 19 nonrefundable credits allowed for the tax year), the excess shall be treated as an overpay-  
 20 ment of tax and shall be refunded or applied in the same manner as other tax overpayments.

21 (7) A nonresident shall be allowed the credit under this section. The credit shall be  
 22 computed in the same manner and be subject to the same limitations as the credit granted  
 23 to a resident. However, the credit shall be prorated using the proportion provided in ORS  
 24 316.117.

25 (8) If a change in the taxable year of the taxpayer occurs as described in ORS 314.085,  
 26 or if the Department of Revenue terminates the taxpayer's taxable year under ORS 314.440,  
 27 the credit allowed by this section shall be prorated or computed in a manner consistent with  
 28 ORS 314.085.

29 (9) If a change in the status of a taxpayer from resident to nonresident or from nonres-  
 30 ident to resident occurs, the credit allowed by this section shall be determined in a manner  
 31 consistent with ORS 316.117.

32 (10) Spouses who file separate returns for a taxable year may each claim a share of the  
 33 tax credit that would have been allowed on a joint return in proportion to the adjusted gross  
 34 income of each.

35 (11) The Department of Revenue shall adopt rules for the purposes of this section, in-  
 36 cluding policies and procedures for certifying taxpayer eligibility under subsection (5) of this  
 37 section.

38 **SECTION 3.** ORS 316.502 is amended to read:

39 316.502. (1) The net revenue from the tax imposed by this chapter, after deducting refunds and  
 40 amounts described in ORS 285B.630 and 285C.635, shall be paid over to the State Treasurer and held  
 41 in the General Fund as miscellaneous receipts available generally to meet any expense or obligation  
 42 of the State of Oregon lawfully incurred.

43 (2) A working balance of unreceipted revenue from the tax imposed by this chapter may be re-  
 44 tained for the payment of refunds, but such working balance shall not at the close of any fiscal year  
 45 exceed the sum of \$1 million.

1 (3) Moneys are continuously appropriated to the Department of Revenue to make:

2 (a) The refunds authorized under subsection (2) of this section; and

3 (b) The refund payments in excess of tax liability authorized under ORS 315.174, 315.262, 315.264  
4 and 315.266 and section 17, chapter 906, Oregon Laws 2007, **and section 2 of this 2017 Act.**

5 **SECTION 4.** ORS 314.752 is amended to read:

6 314.752. (1) Except as provided in ORS 314.740 (5)(b), the tax credits allowed or allowable to a  
7 C corporation for purposes of ORS chapter 317 or 318 shall not be allowed to an S corporation. The  
8 business tax credits allowed or allowable for purposes of ORS chapter 316 shall be allowed or are  
9 allowable to the shareholders of the S corporation.

10 (2) In determining the tax imposed under ORS chapter 316, as provided under ORS 314.734, on  
11 income of the shareholder of an S corporation, there shall be taken into account the shareholder's  
12 pro rata share of business tax credit (or item thereof) that would be allowed to the corporation (but  
13 for subsection (1) of this section) or recapture or recovery thereof. The credit (or item thereof), re-  
14 capture or recovery shall be passed through to shareholders in pro rata shares as determined in the  
15 manner prescribed under section 1377(a) of the Internal Revenue Code.

16 (3) The character of any item included in a shareholder's pro rata share under subsection (2)  
17 of this section shall be determined as if such item were realized directly from the source from which  
18 realized by the corporation, or incurred in the same manner as incurred by the corporation.

19 (4) If the shareholder is a nonresident and there is a requirement applicable for the business tax  
20 credit that in the case of a nonresident the credit be allowed in the proportion provided in ORS  
21 316.117, then that provision shall apply to the nonresident shareholder.

22 (5) As used in this section, "business tax credit" means a tax credit granted to personal income  
23 taxpayers to encourage certain investment, to create employment, economic opportunity or incentive  
24 or for charitable, educational, scientific, literary or public purposes that is listed under this sub-  
25 section as a business tax credit or is designated as a business tax credit by law or by the Depart-  
26 ment of Revenue by rule and includes but is not limited to the following credits: ORS 285C.309  
27 (tribal taxes on reservation enterprise zones and reservation partnership zones), ORS 315.104 (fore-  
28 station and reforestation), ORS 315.138 (fish screening, by-pass devices, fishways), ORS 315.141  
29 (biomass production for biofuel), ORS 315.156 (crop gleaning), ORS 315.164 and 315.169 (agriculture  
30 workforce housing), ORS 315.204 (dependent care assistance), ORS 315.208 (dependent care facili-  
31 ties), ORS 315.213 (contributions for child care), ORS 315.304 (pollution control facility), ORS 315.326  
32 (renewable energy development contributions), ORS 315.331 (energy conservation projects), ORS  
33 315.336 (transportation projects), ORS 315.341 (renewable energy resource equipment manufacturing  
34 facilities), ORS 315.354 and 469B.151 (energy conservation facilities), ORS 315.507 (electronic com-  
35 merce) and ORS 315.533 (low income community jobs initiative) **and section 2 of this 2017 Act**  
36 **(renting farmland to beginning farmers).**

37 **SECTION 5.** ORS 318.031 is amended to read:

38 318.031. It being the intention of the Legislative Assembly that this chapter and ORS chapter  
39 317 shall be administered as uniformly as possible (allowance being made for the difference in im-  
40 position of the taxes), ORS 305.140 and 305.150, ORS chapter 314 and the following sections are in-  
41 corporated into and made a part of this chapter: ORS 285C.309, 315.104, 315.141, 315.156, 315.204,  
42 315.208, 315.213, 315.304, 315.326, 315.331, 315.336, 315.507 and 315.533 **and section 2 of this 2017**  
43 **Act** (all only to the extent applicable to a corporation) and ORS chapter 317.

44 **SECTION 6. Section 2 of this 2017 Act and the amendments to ORS 314.752, 316.502 and**  
45 **318.031 by sections 3, 4 and 5 of this 2017 Act apply to tax years beginning on or after January**

1 1, 2017.

2 SECTION 7. This 2017 Act takes effect on the 91st day after the date on which the 2017  
3 regular session of the Seventy-ninth Legislative Assembly adjourns sine die.

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