

House Bill 3092

Sponsored by Representative CLEM

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, 2019.

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 2019 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 in Oregon or who has operated a farm or ranch as the sole operator for not more
9 than 10 years and who:

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

11 (B) Provides the majority of the daily physical labor and management of the farm or
12 ranch; and

13 (C) Has a net worth of less than \$200,000.

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

19 (c) "Relative" has the meaning given that term in ORS 95.200.

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

24 (3) The credit allowed under this section shall equal the greater of:

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

26 or

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

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

31 (a) The taxpayer and the relative beginning farmer first complete a farm succession

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 **planning workshop;**

2 **(b) The taxpayer files a written farm succession plan with the State Department of Ag-**
3 **riculture; and**

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

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

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

14 **(7) A nonresident shall be allowed the credit under this section. The credit shall be**
15 **computed in the same manner and be subject to the same limitations as the credit granted**
16 **to a resident. However, the credit shall be prorated using the proportion provided in ORS**
17 **316.117.**

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

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

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

28 **(11) The State Department of Agriculture shall adopt rules for the purposes of this sec-**
29 **tion, including policies and procedures for certifying taxpayer eligibility under subsection (5)**
30 **of this section.**

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

32 316.502. (1) The net revenue from the tax imposed by this chapter, after deducting refunds and
33 amounts described in ORS 285B.630 and 285C.635, shall be paid over to the State Treasurer and held
34 in the General Fund as miscellaneous receipts available generally to meet any expense or obligation
35 of the State of Oregon lawfully incurred.

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

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

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

41 (b) The refund payments in excess of tax liability authorized under ORS 315.174, 315.262, 315.264
42 and 315.266 and section 17, chapter 906, Oregon Laws 2007, **and section 2 of this 2019 Act.**

43 **SECTION 4.** ORS 314.752, as amended by section 7, chapter 108, Oregon Laws 2018, is amended
44 to read:

45 314.752. (1) Except as provided in ORS 314.740 (5)(b), the tax credits allowed or allowable to a

1 C corporation for purposes of ORS chapter 317 or 318 shall not be allowed to an S corporation. The
2 business tax credits allowed or allowable for purposes of ORS chapter 316 shall be allowed or are
3 allowable to the shareholders of the S corporation.

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

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

13 (4) If the shareholder is a nonresident and there is a requirement applicable for the business tax
14 credit that in the case of a nonresident the credit be allowed in the proportion provided in ORS
15 316.117, then that provision shall apply to the nonresident shareholder.

16 (5) As used in this section, "business tax credit" means the following credits: ORS 315.104
17 (forestation and reforestation), ORS 315.138 (fish screening, by-pass devices, fishways), ORS 315.141
18 (biomass production for biofuel), ORS 315.156 (crop gleanings), ORS 315.164 and 315.169 (agriculture
19 workforce housing), ORS 315.176 (bovine manure), ORS 315.204 (dependent care assistance), ORS
20 315.208 (dependent care facilities), ORS 315.213 (contributions for child care), ORS 315.237 (employee
21 and dependent scholarships), ORS 315.271 (individual development accounts), ORS 315.304 (pollution
22 control facility), ORS 315.326 (renewable energy development contributions), ORS 315.331 (energy
23 conservation projects), ORS 315.336 (transportation projects), ORS 315.341 (renewable energy re-
24 source equipment manufacturing facilities), ORS 315.354 and 469B.151 (energy conservation facili-
25 ties), ORS 315.506 (tribal taxes on reservation enterprise zones and reservation partnership zones),
26 ORS 315.507 (electronic commerce), ORS 315.514 (film production development contributions), ORS
27 315.521 (university venture development funds), ORS 315.523 (employee training programs), ORS
28 315.533 (low income community jobs initiative), ORS 315.675 (Trust for Cultural Development Ac-
29 count contributions), ORS 317.097 (loans for affordable housing), ORS 317.124 (long term enterprise
30 zone facilities), ORS 317.147 (loans for agriculture workforce housing), ORS 317.152 (qualified re-
31 search expenses) and ORS 317.154 (alternative qualified research expenses) and section 9, chapter
32 774, Oregon Laws 2013 (alternative fuel vehicle contributions), and section 2, chapter 108, Oregon
33 Laws 2018 (Opportunity Grant Fund contributions), **and section 2 of this 2019 Act (renting
34 farmland to beginning farmers).**

35 **SECTION 5.** ORS 318.031, as amended by section 8, chapter 108, Oregon Laws 2018, is amended
36 to read:

37 318.031. It being the intention of the Legislative Assembly that this chapter and ORS chapter
38 317 shall be administered as uniformly as possible (allowance being made for the difference in im-
39 position of the taxes), ORS 305.140 and 305.150, ORS chapter 314 and the following sections are in-
40 corporated into and made a part of this chapter: ORS 315.104, 315.141, 315.156, 315.176, 315.204,
41 315.208, 315.213, 315.304, 315.326, 315.331, 315.336, 315.506, 315.507, 315.523 and 315.533 and section
42 2, chapter 108, Oregon Laws 2018, **and section 2 of this 2019 Act** (all only to the extent applicable
43 to a corporation) and ORS chapter 317.

44 **SECTION 6. Section 2 of this 2019 Act applies to tax years beginning on or after January**
45 **1, 2019.**

1 **SECTION 7.** This 2019 Act takes effect on the 91st day after the date on which the 2019
2 regular session of the Eightieth Legislative Assembly adjourns sine die.
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