

2021 POLICY GUIDES

Beginning Farmer/Rancher Program

ISSUE

This year the Legislature passed LB432 which in part extended the sunset date of Nebraska's Beginning Farmer/Rancher Program (NextGen) to December 31, 2025. At the hearing and during floor debate, there were discussions on ways the program could be improved to benefit more beginning farmers/ranchers, but no improvements were made.

BACKGROUND

Nebraska's NextGen program (Beginning Farmer/Rancher Program) was enacted in 1999 and implemented in 2001. Since that time, the program has helped 546 beginning farmers/ranchers through \$14.9 million in tax credits. Over the last five years, on average, there have been 75 applications with annual tax credits of \$1.3 million. The average tax credit per landowner is \$5,200.

To qualify for the program, the beginning farmer/rancher must be a resident of Nebraska, have a net worth of less than \$200,000, have farmed/ranched for less than 10 of the last 15 years, provide the majority of the day-to-day physical labor and management, plan to farm or ranch full time, have farming or ranching experience or education, and have participated in an approved financial management course.

Beginning farmers/ranchers who qualify for the program will receive a three-year lease rather than a year-to-year lease will receive up to a \$500 tax credit reimbursement for an approved financial management course and can apply for a personal property tax exemption.

Asset owners who rent their ground to a qualified beginning farmer/rancher will receive a refundable income tax credit equal to 10% of the cash rent or 15% of the value of the share crop rent received each year for three years.

FARM BUREAU POLICY

BEGINNING FARMER ASSISTANCE (2019). NEFB encourages the entrance of young farmers and ranchers into agriculture. We support programs to provide loans, grants and technical assistance to beginning farmers. We support tax exemptions or credits, like credits against personal property taxes or income tax credits for capital investments made, for beginning farmers as part of a package to encourage entrance into farming and ranching. We believe efforts assisting beginning farmers and ranchers should be targeted toward beginning farmers and ranchers rather than asset owners.

COMPARING NEBRASKA'S PROGRAM WITH OTHER STATES

	NE	CO	IA	KY	MN	OH	PA
Program Cap	No	100 credits/ year	\$12M/year	\$1.5M/year	\$6M through 2023	\$10M for 6 years.	\$59M next 10 years
Net Worth	<\$200,000	<\$2M	\$686,00 adjusted annually for inflation	N/A Farming <10 years	\$800,000 adjusted annually for inflation	<\$800,000 adjusted annually for inflation	N/A Farming <10 years
Tax Credit Leases	10% Cash 15% Share	20% \$25,000 max credit/year	5% Cash 15% Share	No	10% Cash \$7,000 max/year 15% Share \$10,000 max/year	10% Cash 15% Share	10% \$7,000 max/year
Tax Credit Sales	No	No	No	5% of purchase price; \$25,000 max/year & \$100,000 lifetime cap	No	No	No
Lease duration	3 year	3 year	2-5 years	N/A	3 year	1 year 3-year max	1 year 3-year max
Leases w/family	Yes, succession plan required	Yes	Yes	No	No	Yes	?
Application Fees	No	\$50	\$200-\$700	\$500 owner app	?	?	?

QUESTIONS

1. Should Nebraska improve our NextGen program to encourage the entrance of more beginning farmers/ranchers?
2. Is the \$200,000 maximum net worth a limitation to the program?
3. Should Nebraska offer a tax credit for the sale of assets in addition to leases only?
4. Should the length of time for leases be extended for more than three years?
5. Are there other programs or ideas that would encourage more young farmers/ranchers.
6. Should there be a way for beginning farmers/ranchers to receive tax credits for entering into a contract grower relationship?