

House _____ Amendment NO. _____

Offered By

1 AMEND House Committee Substitute for Senate Substitute for Senate Committee Substitute for
2 Senate Bill No. 174, Page 1, In the Title, Line 3, by deleting all of said line and inserting in lieu
3 thereof the following words, "new sections relating to taxation."; and

4
5 Further amend said bill, Page 5, Section 135.1180, Line 75, by inserting after all of said section and
6 line the following:

7 "143.2025. As used in sections 143.2025 to 143.2045, the following terms mean:

8 (1) "Agricultural assets", agricultural land, depreciable agricultural property, crops, or
9 livestock;

10 (2) "Agricultural land", land suitable for use in farming;

11 (3) "Beginning farmer", an individual, partnership, family farm corporation, or limited
12 liability company that:

13 (a) Has not owned or operated a farm or ranch for more than ten years;

14 (b) Does not own a farm or ranch greater than thirty percent of the average size farm in the
15 county as determined by the most current Census for Agriculture;

16 (c) Materially participates in the farming or ranching operation; and

17 (d) Is a resident of this state;

18 (4) "Deduction":

19 (a) For an individual, an amount subtracted from the taxpayer's Missouri adjusted gross
20 income to determine Missouri taxable income for the tax year in which such deduction is claimed;
21 and

22 (b) For a corporation, partnership, shareholder in an S-corporation, or a limited liability
23 company, an amount subtracted from the taxpayer's Federal taxable income to determine Missouri
24 taxable income for the tax year in which such deduction is claimed;

25 (5) "Department", the department of agriculture;

26 (6) "Farming", the same as defined in section 350.010;

27 (7) "Livestock", the same as defined in section 265.300;

28 (8) "Material participation", a beginning farmer involved in an agricultural production
29 operation on a regular, continuous, and substantial basis;

30 (9) "Production items", tools, machinery, or equipment principally used to produce
31 agricultural crops or livestock;

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1 (10) "Taxpayer", any individual, firm, a partner in a firm, corporation, partnership,
2 shareholder in an S-corporation, or member of a limited liability company subject to the income tax
3 imposed under chapter 143.

4 143.2030. 1. For all taxable years beginning on or after January 1, 2016, a taxpayer shall be
5 allowed a deduction in an amount equal to fifty percent of the income derived from the transfer of
6 agricultural assets to a beginning farmer, to the extent that such amounts are included in federal
7 adjusted gross income or federal taxable income when determining the taxpayer's Missouri adjusted
8 gross income.

9 2. To qualify for the agricultural assets transfer agreement deduction authorized by this
10 section, a taxpayer shall meet the following criteria:

11 (1) Be a taxpayer able to acquire or otherwise obtain or lease agricultural land in this state;

12 (2) Execute an agricultural assets transfer agreement with a beginning farmer; and

13 (3) Any other criteria required by the department under a promulgated rule.

14 3. For partnerships, limited liability companies, S corporations, estates, or trusts entitled to a
15 deduction and electing to have pass through taxation, the deduction shall be split among the
16 individuals entitled to earnings from the entity in proportion to the amount of earnings to which they
17 are entitled.

18 4. The agricultural assets transfer agreement required by this section shall provide for the
19 lease of agricultural land located in this state, including any improvements, and may provide for the
20 rental of agricultural equipment. The agreement shall:

21 (1) Include a lease made on a cash basis or on a commodity share basis which includes a
22 share of the crops or livestock produced on the agricultural land;

23 (2) Be in writing;

24 (3) Be for at least seven years; and

25 (4) Not be assignable or transferable and the land subject to the agreement cannot be
26 subleased.

27 5. For an agreement that includes a lease on a cash basis, the taxpayer may claim a deduction
28 equal to fifty percent of the gross amount paid to the taxpayer under the agreement for each tax year
29 that the deduction is allowed.

30 6. For an agreement that includes a lease on a commodity share basis, the taxpayer may
31 claim a deduction equal to fifty percent of the amount paid to the taxpayer from crops or livestock
32 sold under the agreement in which the payment is exclusively made from the sale of crops or
33 livestock.

34 7. The amount of the deduction claimed shall not exceed the amount of the taxpayer's
35 Missouri adjusted gross income or Missouri taxable income for the taxable year for which the
36 deduction is claimed. If the amount of the deduction exceeds the taxpayer's Missouri adjusted gross
37 income or Missouri taxable income for the tax year the deduction is earned, the excess may be
38 carried forward for up to three subsequent tax years to allow the taxpayer to claim such excess
39 deduction.

40 8. A taxpayer shall not claim a deduction under this section unless a deduction certificate
41 issued by the department is attached to the taxpayer's tax return for the tax year for which the

1 deduction is claimed. The department shall review and approve an application for a deduction as
2 provided by rules promulgated by the department. The application shall include a copy of the
3 agricultural assets transfer agreement. The department may approve an application and issue a
4 deduction certificate to a taxpayer who has previously been allowed a deduction under this section.
5 The department may require that the parties to an agricultural assets transfer agreement meet the
6 same qualification as required for an original application. The department shall not approve an
7 application or issue a deduction certificate to a taxpayer for an amount in excess of four hundred
8 thousand dollars.

9 9. A taxpayer or beginning farmer may terminate an agricultural assets transfer agreement as
10 provided in the agreement or by law. The taxpayer shall immediately notify the department of the
11 termination. If the department determines that the taxpayer is not at fault for the termination, the
12 department shall not issue a deduction certificate to the taxpayer for a subsequent tax year based on
13 the approved application. Any prior deduction is allowed as provided in this section. The taxpayer
14 may apply for and be issued another deduction certificate for the same agricultural assets as provided
15 in this section for any remaining tax year for which a certificate was not issued. If the department
16 determines that the taxpayer is at fault for the termination, any prior deduction allowed under this
17 section is disallowed. The amount of the deduction shall be included as income in the taxpayer's
18 next tax year. If a taxpayer does not immediately notify the department of the termination, the
19 taxpayer shall be conclusively deemed at fault for the termination.

20 143.2035. 1. For all taxable years beginning on or after January 1, 2016, a taxpayer shall be
21 allowed a deduction in an amount equal to fifty percent of the income derived from a custom
22 farming contract with a beginning farmer, to the extent that such amounts are included in federal
23 adjusted gross income when determining the taxpayer's Missouri adjusted gross income.

24 2. To qualify for the custom farming contract deduction authorized by this section, a
25 taxpayer shall be a taxpayer able to acquire or otherwise obtain or lease agricultural land in this state
26 and meet any other qualification established by rules promulgated by the department.

27 3. A custom farming contract deduction is allowed only for the amount paid by the taxpayer
28 to a qualified beginning farmer under a custom farming contract as provided in rules promulgated by
29 the department. The contract shall provide for the production of crops located on agricultural land or
30 the production of livestock principally located on agricultural land.

31 4. The custom farming contract shall provide that the taxpayer pay the beginning farmer on a
32 cash basis. The contract shall be in writing and for a term of not more than twelve months. The total
33 cash payment shall equal at least one thousand dollars.

34 5. The taxpayer shall make all management decisions substantially contributing to or
35 affecting the production of crops located on the agricultural land or the production of livestock
36 principally located on the agricultural land. However, nothing in this section prohibits a qualified
37 beginning farmer from regularly or frequently taking part in making day-to-day operational
38 decisions affecting production. The beginning farmer shall provide for all of the following:

39 (1) Production items principally used to produce crops located on the agricultural land or to
40 produce livestock principally located on the agricultural land; and

41 (2) Labor principally used to produce crops located on the agricultural land or to produce

1 livestock principally located on the agricultural land. The beginning farmer shall personally provide
2 such labor on a regular, continuous, and substantial basis.

3 6. A custom farming contract deduction is not allowed if the taxpayer and qualified
4 beginning farmer are related as any of the following:

5 (1) Persons who hold a legal or equitable interest in the same agricultural land, including as
6 individuals or as general partners, limited partners, shareholders, or members in the same business
7 entity;

8 (2) Family members related as spouse, child, stepchild, brother, or sister; or

9 (3) Partners in the same partnership which holds agricultural land, shareholders in the same
10 family farm corporation, or members in the same limited liability company.

11 7. A custom farming contract deduction shall be calculated based on the gross amount paid
12 to the beginning farmer under the custom farming contract. The taxpayer may claim a deduction
13 equal to fifty percent of the gross amount paid to the beginning farmer under the contract for each
14 tax year that the deduction is allowed.

15 8. The amount of the deduction claimed shall not exceed the amount of the taxpayer's
16 Missouri adjusted gross income for the taxable year for which the deduction is claimed. If the
17 amount of the deduction exceeds the taxpayer's Missouri adjusted gross income for the tax year the
18 deduction is earned, the taxpayer may request a deduction certificate be issued by the department for
19 up to three subsequent tax years to allow the taxpayer to claim such excess deduction.

20 9. A taxpayer shall not claim a deduction under this section unless a deduction certificate
21 issued by the department is attached to the taxpayer's tax return of the tax year for which the
22 deduction is claimed. The department shall review and approve an application for a deduction as
23 provided by rules promulgated by the department. The application shall include a copy of the
24 custom farming contract. The department may approve an application and issue a deduction
25 certificate to a taxpayer who has previously been allowed a deduction under this section. The
26 department may require that the parties to the contract provide additional information as determined
27 relevant by the department. The department shall review an application for a deduction certificate
28 which includes the renewal of a contract to determine that the parties to the renewed contract meet
29 the same qualifications as required for an original application. The department shall not approve an
30 application or issue a deduction certificate to a taxpayer for an amount in excess of four hundred
31 thousand dollars.

32 143.2040. 1. The total amount of deductions that may be issued under sections 143.2025 to
33 143.2040 shall not in the aggregate exceed one hundred million dollars in any fiscal year. Of the
34 aggregate amount, two-thirds shall be allocated for the agricultural assets transfer deduction
35 established in section 143.2030 and one-third shall be allocated for the custom farming contract
36 deduction established in section 143.2035. The department may adjust the allocation amounts to
37 ensure maximum utilization of the deductions but in no event shall more than one hundred million
38 dollars in the aggregate be issued under both programs.

39 2. The department of agriculture shall promulgate rules to implement the provisions of
40 sections 143.2025 to 143.2045. Any rule or portion of a rule, as that term is defined in section
41 536.010, that is created under the authority delegated in this section shall become effective only if it

1 complies with and is subject to all of the provisions of chapter 536 and, if applicable, section
 2 536.028. This section and chapter 536 are nonseverable, and if any of the powers vested with the
 3 general assembly pursuant to chapter 536 to review, to delay the effective date, or to disapprove and
 4 annul a rule are subsequently held unconstitutional, then the grant of rulemaking authority and any
 5 rule proposed or adopted after August 28, 2015, shall be invalid and void.

6 143.2045. 1. For all taxable years beginning on or after January 1, 2016, in addition to all
 7 other modifications allowed by law, there shall be subtracted from the federal adjusted gross income
 8 of an individual taxpayer twenty-five percent of the income realized from the sale of land classified
 9 as agricultural and horticultural property sold to a beginning farmer, to the extent that such amount is
 10 included in federal adjusted gross income when determining such individual's Missouri adjusted
 11 gross income.

12 2. If within seven years of being sold, the property which allowed the taxpayer to receive the
 13 deduction in subsection 1 of this section ceases to be classified as agricultural and horticultural
 14 property or owned by a beginning farmer, the buyer of such property shall include as income in the
 15 year such property changes classifications a portion of the deduction previously received by the
 16 seller. The amount such buyer shall include as income shall be equal to the number of years
 17 remaining until the land has been sold by the seller for seven years divided by seven and then
 18 multiply such fraction by the amount of the deduction received by the taxpayer.

19 3. As used in this section, the following terms shall mean:

20 (1) "Agricultural and horticultural property", the same as defined in section 137.016;

21 (2) "Beginning farmer", the same as defined in section 143.2025.

22 4. The department of revenue may promulgate rules and regulations for the administration of
 23 this section. Any rule or portion of a rule, as that term is defined in section 536.010, that is created
 24 under the authority delegated in this section shall become effective only if it complies with and is
 25 subject to all of the provisions of chapter 536 and, if applicable, section 536.028. This section and
 26 chapter 536 are nonseverable, and if any of the powers vested with the general assembly pursuant to
 27 chapter 536 to review, to delay the effective date, or to disapprove and annul a rule are subsequently
 28 held unconstitutional, then the grant of rulemaking authority and any rule proposed or adopted after
 29 August 28, 2015, shall be invalid and void."; and

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 31 Further amend said bill, Page 11, Section 166.645, Line 5, by inserting after all of said section and
 32 line the following:

33 "262.599. 1. A beginning farmer center is established as a part of the University of Missouri
 34 agriculture and natural resources extension program to assist individuals in beginning farming
 35 operations. The center shall also assist in facilitating the transition of farming operations from
 36 established farmers to beginning farmers, including creating and maintaining an information
 37 database inventorying land and facilities available for acquisition, and developing models to increase
 38 the number of family farming operations in this state. The objectives of the beginning farmer center
 39 shall include, but are not limited to:

40 (1) Providing the coordination of education programs and services for beginning farmer
 41 efforts statewide;

1 (2) Assessing the needs of beginning farmers and retiring farmers in order to identify
2 program and service opportunities; and

3 (3) Developing, coordinating, and delivering targeted education to beginning farmers and
4 retiring farm families.

5 2. Programs and services provided by the beginning farmer center shall include, but are not
6 limited to, the development of skills and knowledge in financial management and planning, legal
7 issues, tax laws, technical production and management, leadership, sustainable agriculture, human
8 health, and the environment.

9 3. The beginning farmer center shall submit to the general assembly, annually on or before
10 January first, a report that includes, but is not limited to, recommendations for methods by which
11 more individuals may be encouraged to enter agriculture."; and

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13 Further amend said bill by amending the title, enacting clause, and intersectional references
14 accordingly.
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