

**ONE HUNDREDTH LEGISLATURE - SECOND SESSION -
2008**

COMMITTEE STATEMENT

LB1027

Hearing Date: January 29, 2008

Committee On: Agriculture

Introducer(s): (Erdman)

Title: Provide a personal property tax exemption under the Beginning Farmer Tax Credit Act

Roll Call Vote - Final Committee Action:

Placed on General File with Amendments

Vote Results:

8 Yes	Senators Chambers, Dierks, Dubas, Erdman, Karpisek, McDonald, Preister, Wallman
0 No	
0 Absent	
0 Present, not voting	

Proponents:

Senator Erdman
Matt Dolch
Hilary Maricle
Michael Kelsey

Opponents:

Neutral:

Don Anthony

Representing:

Introducer – District 47
Nebraska Cattlemen
Nebraska Farm Bureau
Nebraska Cattlemen

Representing:

Representing:

Beginning Farmers Board

Summary of purpose and/or change:

The primary substantive purpose of LB 1027 is accomplished in Section 3 of the bill. This section inserts a new section which provides for the exemption of personal property of a qualified beginning farmer or livestock producer utilized in production of agricultural products or livestock. The exemption is for a period of three years beginning with the first year for which the exemption is claimed. Section 3 is incorporated into the Beginning Farmer Tax Credit Act by Section 2 of the bill. A harmonizing internal reference within §77-202 to the exemption in section 3 of the bill is made in section 1.

Explanation of amendments, if any:

The Committee amendment (AM2295) strikes the original sections and becomes the bill. In addition to revisions to the substantive purposes of the bill as introduced, the Committee amendment also incorporates portions of LB 875. Specifically, the following changes occur by adoption of AM2295.

The purposes of Section 3 of the introduced bill are accomplished in modified form in what becomes section 4 of the bill as amended. The amendment continues to define a personal property tax exemption available to qualified beginning farmers but with the following substantive and procedural clarifications.

- The exemption applies to agricultural and horticultural machinery and equipment. The definition of exempted items corresponds to those items allowed the sales tax exemption that are valued at depreciated value for property tax purposes.
- Caps the value that may be exempted at \$100,000.
- Provides procedure for claiming the credit utilizing processes similar to existing exemptions that may be claimed.
 - Applicant to make initial application to county assessor by Dec. 31 of year preceding the year for which exemption is sought.
 - Applicant provides documentation verifying certification by Beginning Farmer Board of qualification to claim exemption
 - County Assessor approves or denies with appeal to Bd. of Equalization in event of denial. Protest procedures as set forth in 77-1502, and appeal of adverse decision of County Bd. of Equalization to the Tax Equalization and Review Commission pursuant to 77-5013 are incorporated by reference.
 - Requires annual filing of reaffirmation documentation to claim the exemption each subsequent year of the 3-year exemption period
 - Clarifies that exemption continues irrespective of whether beginning farmer continues to meet beginning farmer qualifications during the exemption period unless the claimant quits farming or livestock operations.

The amendment makes further harmonizing changes elsewhere in the Beginning Farmer Tax Credit Act. New sections inserted by what becomes sections 5 and 6 make harmonizing revisions to §77-5204 and §77-5208 to assign authority and duties to the Beginning Farmer Board in certifying Beginning Farmers for the Tax Credit.

The purposes of LB 875 are incorporated as sections 3, 7 & 8 of the committee amendment. Specifically, the amendment incorporates the following substantive elements:

- Redefines “owner of agricultural assets” under §77-5203 (7) as follows:
 - Eliminates occupational and physical labor and management, and residency tests of eligibility for individuals or trustees under subdivision (7)(a). Clarification is added that such individuals or trustees have an ownership interest in an agricultural assets within Nebraska and meet any additional qualifications determined by the Beginning Farmer Board

- Expands non-individual entities under subdivision (7)(c) eligible to qualify as asset owners to include corporations, limited liability companies or other business entity in addition to partnerships. Occupational and physical labor and management contribution, and residency tests that currently apply to determine partnership eligibility are eliminated. .
 - Subdivision (7)(d) is stricken. This subdivision becomes obsolete as the revisions to (7)(c) no longer require separate provisions for eligibility of qualifying family farm corporations.
- Sections 7 & 8 of the committee amendment makes non-substantive changes to the enumeration of beginning farmer qualifications in §77-5209. The requirement that the day-today management and labor qualification is clarified to apply to the beginning farmer's farming and livestock production operations. The amendment also relocates the substantive purpose of subsection (8) of §77-5209 that a beginning farmer not be related to the asset owner to a new subsection (5) inserted into §77-5211. The current location disqualifying a rental agreement when the parties to the agreement are related is currently awkwardly placed in the enumeration of qualifications as a beginning farmer in §77-5209 and is better placed as a disqualification of a rental agreement in §77-5211.

Senator Philip Erdman, Chairperson