



Annual Report
July 1, 2014 – June 30, 2015

Nebraska Department of Agriculture
Beginning Farmer Tax Credit Act

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NextGen Annual Report

Nebraska Department of Agriculture Beginning Farmer Tax Credit Act

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NextGen Board of Directors

FY 2014 – 2015
July 1, 2014 – June 30, 2015

Name	Representing
Greg Ibach	Director Nebraska Department of Agriculture
Karla Bahm (Designee)	Beginning Farmer Program Administrator Nebraska Department of Agriculture
Len Sloup	Acting Tax Commissioner Nebraska Department of Revenue
John Stavick (Designee)	Research Division Nebraska Department of Revenue
Brad Lubben	Agriculture Academic Extension Agricultural Economist University of Nebraska - Lincoln
Mark Graff	Agricultural Lender
Todd Reed	Producer, District 1
Melvin Valasek	Producer, District 2
Don Anthony	Producer, District 3

Staff Members

Joline Gordon	Staff Assistant
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NextGen Board Meeting Dates and Attendees

FY 2014 – 2015
July 1, 2014 – June 30, 2015

Meeting Date	Members Attending	Guests Attending	Staff Attending
August 20, 2014	Don Anthony Karla Bahm Kimberly Conroy, Tax Commissioner Mark Graff Brad Lubben Todd Reed John Stavick Melvin Valasek	Senator Jerry Johnson	Joline Gordon
December 16, 2014	Don Anthony Karla Bahm Mark Graff Brad Lubben Todd Reed John Stavick Melvin Valasek	Ralph Tate, Holistic Management International Bobbie Kriz-Wickham, Nebraska Department of Agriculture	Joline Gordon
January 16, 2015	Don Anthony Karla Bahm Mark Graff Brad Lubben John Stavick Melvin Valasek	Blake Johnson, Attorney General's Office Bobbie Kriz-Wickham, Nebraska Department of Agriculture	Joline Gordon

NextGen Administrative Notes

**FY 2014 – 2015
July 1, 2014 – June 30, 2015**

The Nebraska Department of Agriculture (NDA) administers the Beginning Farmer Tax Credit Act, which was enacted in 1999. For 15 years the act was known as the Nebraska Beginning Farmer Program. To differentiate this program from other beginning farmer programs, NDA unveiled a new marketing campaign in September 2014. The program is now called NextGen. The transformation included a new logo, updated marketing materials, and an easier-to-navigate website. NDA unveiled the new look at Husker Harvest Days in Grand Island.

The program's focus on the administration of the Beginning Farmer Tax Credit Act remains unchanged. The Act provides a beginning farmer or rancher benefits in the form of a personal property tax exemption and a Nebraska income tax credit for reimbursement of an approved financial management course. It also provides a Nebraska income tax credit to the landlord who rents to an eligible beginning farmer. The tax credit provides an incentive to the landlord who enters into a three-year lease with a beginning farmer or rancher.

Governor Pete Ricketts entered office in January 2015. Governor Rickett's first Governor's Ag Conference, held in Kearney in March, focused on "Building for Future Generations: Quality Succession/Transition Planning." Transitioning the farm or ranch business from one generation to the next remains a key topic of discussion at conferences and events. NDA is committed to providing farmers with educational resources about succession planning by promoting and providing those resources through the NextGen website and through outreach efforts.

In 2015 Nebraska Legislative Bill 538 (LB 538) created an evaluation framework through performance audits for Nebraska's tax incentive programs. The primary goal of the performance audit process is to provide information to lawmakers about how the tax incentives are benefiting Nebraska's economy and meeting program goals. The anticipated timeframe for the Beginning Farmer Tax Credit Act audit is 2017 or 2018.

At the direction of the Board of Directors, NDA surveyed past NextGen participants to evaluate the program. This annual report includes a copy of the survey. Of the 165 beginning farmers selected for the phone survey, 87 (53%) responded. Respondents were eager to share their experiences. The overall results of the survey are encouraging; the program has been effective by providing beginners an opportunity to gain access to agricultural assets. Most notably, 99% of the respondents were still farming, 84% have been able to make farming their main profession, and 87% were still farming the same asset that was enrolled in the NextGen program.



HOME

ELIGIBILITY & BENEFITS

APPLICATIONS & FORMS

FINANCIAL MANAGEMENT

MARKETING FORECASTS

RESOURCES

FAQ

Cultivate your legacy at a
Free Farm Succession Workshop
 December 2nd in Hartington, NE

NextGen utilizes the Beginning Farmer Tax Credit Act to help new producers get a head start in farming and ranching, while giving back to the farmers and ranchers who own agricultural assets.

Click below to find out how using the tax credit incentives can help Cultivate Your Legacy in Nebraska agriculture.



Hot Topics

- [Deadlines are fast approaching for 2015 program benefits.](#)
- [Returning to the Farm workshop](#)-offered by UNL Extension
- [Monthly clinics and workshops.](#)

Karla Bahm
 NextGen
 Nebraska Department of Agriculture
 P.O. Box 94947
 Lincoln, NE 68509-4947

800-446-4071
 Contact us by email
 Laws and Regulations
 Annual Reports

Department of Agriculture
 Nebraska.gov
 Policies

Apply now for the Personal Property Tax Exemption!

- Personal property used in production agriculture or horticulture, **valued up to \$100,000**, may be tax exempt for the beginning farmer or rancher.
- Apply for an **Eligibility Certificate** by **November 1st** of the year preceding the year for which exemptions are sought.
- To claim an exemption of taxable tangible personal property, present the Eligibility Certificate and tax information to your **County Assessor by December 31st** for approval.
- The tax exemption may be received **each year for three years.**

The beginning farmer eligibility requirements and application process are the same as the tax credit program, but **you do not have to rent from someone to be eligible for the tax exemption.**



Board of Directors

State Tax Commissioner

Lending Community Representative

Academia Representative

District 1 Producer

District 2 Producer

District 3 Producer

Nebraska Department of Agriculture
Director

For more information contact:

800.446.4071

karla.bahm@nebraska.gov

www.nextgen.nebraska.gov

NextGen

Nebraska Department of Agriculture

P.O. Box 94947

Lincoln, NE 68509-4947

CULTIVATE YOUR LEGACY
NEXT GEN



**Tax Credits for
Farmers & Ranchers**
www.nextgen.nebraska.gov

What will the beginning farmer receive?

- A three-year lease rather than a year-to-year lease to get started in farming or ranching.
- Up to a \$500 tax credit reimbursement for the financial management class.
- Plus, the beginning farmer may apply for the Personal Property Tax Exemption.

What is the tax credit for the asset owner?

An eligible asset owner will receive a refundable 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.

Examples:

Cash Rent:

100 acres × \$250/acre = \$25,000

\$25,000 × 10% = \$2,500/year tax credit

\$2,500 × 3 years = **\$7,500 total tax credits**

Share Crop Rent:

100 acres × 200 bu/acre = 20,000 bu

20,000 bu × 50% (owner's share)=10,000 bu

10,000 bu × \$4.50/bu = \$45,000

\$45,000 × 15% = \$6,750/year tax credit

\$6,750 × 3 years = **\$20,250 total tax credits**

Asset Owner Eligibility Requirements

- An asset owner must be an individual(s) or a trustee, a partnership, corporation, limited liability company, or other business entity having an ownership interest in an agricultural asset located within the state of Nebraska, who is eligible to receive a Nebraska tax credit.
- Close relatives are eligible to receive a tax credit, if the parties attend a succession planning workshop and the rental asset is included in a written succession plan to transition it between the two parties.

Beginning Farmer or Rancher Eligibility Requirements

- Is a Nebraska resident.
- Has farmed or ranched for less than ten of the last fifteen years.
- Has less than \$200,000 net worth.*
- Will provide the majority of the day-to-day physical labor and management.
- Plans to farm or ranch full time.
- Has farming or ranching experience or education.
- Has participated in an approved financial management educational program.

To apply:

1. Complete an application form. (Available on the NextGen website or call for a copy.)
2. Attach supplemental information as requested on the application and mail to NextGen.

(*adjusted annually for inflation/deflation)

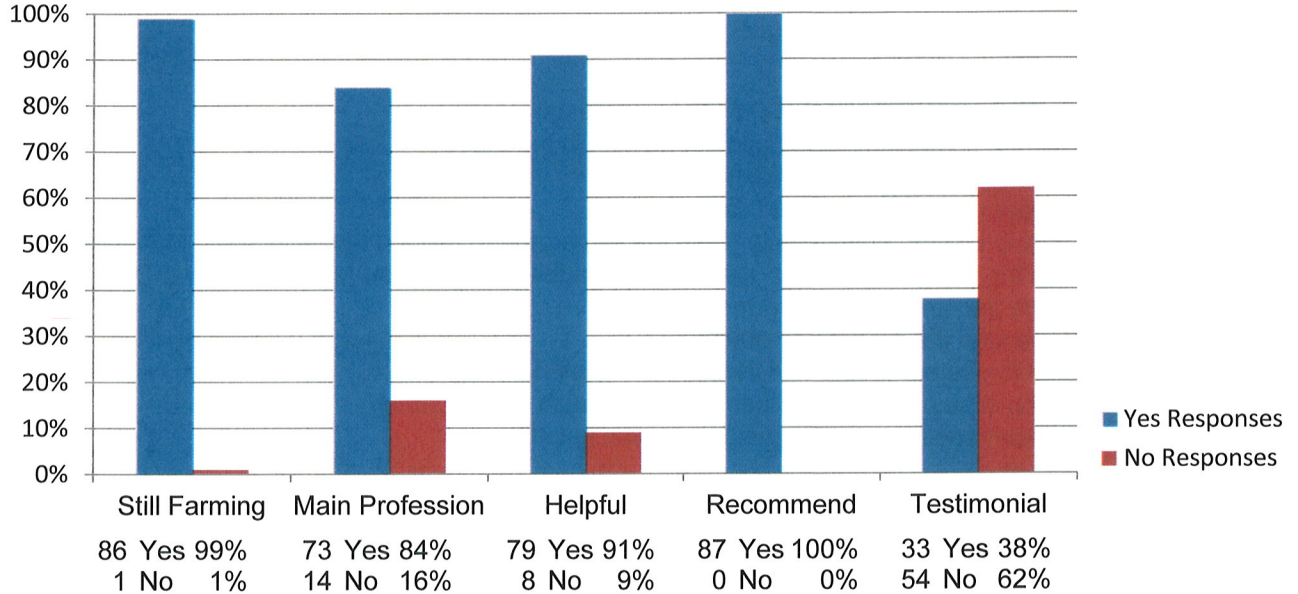
How do you find someone to work with?

- Ask your friends and neighbors, market yourself and network.
- Nebraska Connections - visit www.nextgen.nebraska.gov to be added.
- Link to other beginning farmer programs - www.nebraskabeginningfarmer.org.

NextGen Survey March 2015

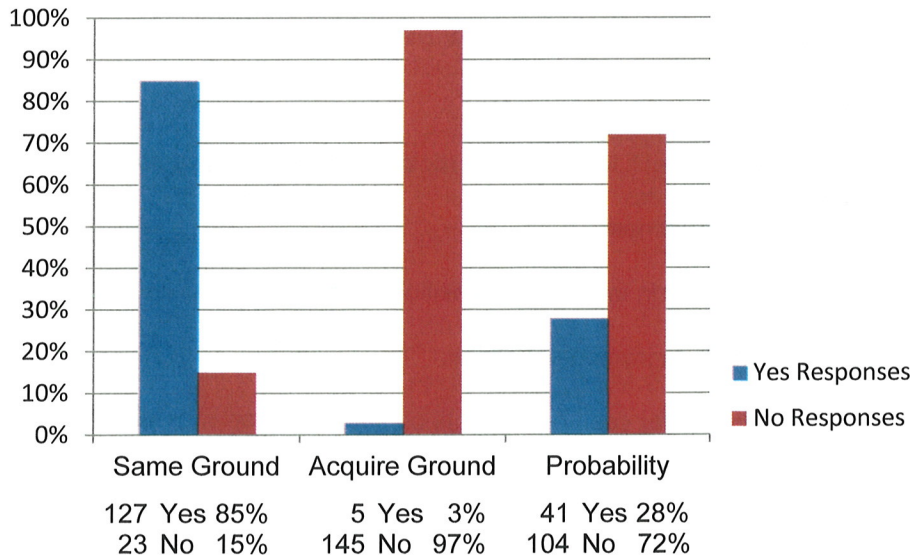
Unique Beginning Farmers

- 165 unique beginning farmers were selected whom had participated in the program with an asset owner wherein the three year lease expired by the year 2013
- 87 beginning farmers (53%) participated in the phone survey



Unique Cases

- a case is specific to a beginning farmer, the asset owner and a three year lease(s)
- there are 413 unique cases from program inception to survey date
- 279 unique cases were selected for the survey, 150 were surveyed (53%)
- 87 participants account for 150 cases; 28 beginning farmers (32%) had multiple cases
- survey results for “probability of acquiring the ground” were based only on participants who had not acquired the ground
- in 18 of the 150 cases, the asset owner and beginning farmer are related
- in cases where the beginning farmer and asset owner are related, the percentage of “yes” answers to all questions was greater than or equal to survey results, with the greatest variation being in the “ability to acquire the ground” and “probability of acquiring the ground”.



NEXTGEN SURVEY COMMENTS

March 2015

Below is a summary of comments received from survey participants. The overwhelming majority felt the program was very helpful. In most instances, when the three year lease ended and the relationship no longer continued, the beginning farmer acknowledged that the program still gave them an advantage to access the asset and an opportunity to grow their operation. A complete list of comments is available upon request.

HELPFUL FOR BEGINNING FARMER (79 total comments)

- Gave me the competitive edge and got my foot in the door.
- Personal Property Tax Exemption was helpful.
- Asset owner gave me a reduced cash rent rate.
- Relationship builder, continues to lease the same ground beyond the initial three year lease.
- Gave me the ability to grow my operation, rent additional ground and or purchase ground.
- Helped me become a fulltime farmer.
- Recommended the program to others.
- Was able to use the program in conjunction with FSA programs.
- Share crop arrangement helps benefit the tenant in volatile times.
- Succession/transition planning workshop was helpful.

HELPED OWNER MORE THAN BEGINNER (25 total comments)

- Program benefitted the landlord more than the beginner.
- Landlord came to rely on that credit and at the end of the three years wanted a cash rent equivalent to what he was receiving with the credit, which would have put the rent above the competitive market and not feasible for the tenant.
- Beginner felt used by the landlord, lost the lease after the tax credit expired.
- Was difficult to find landowners who were interested in the program.
- Some landowners did not want to rent under a 3-year lease, some did not want to be involved in a "government payout" program. Age of asset owner didn't make a difference in attitude.

CHALLENGES FOR THE BEGINNING FARMER (21 total comments)

- Dependent upon an off-farm job to make ends meet or a spouse's full-time job with benefits.
- Crop prices too low to make a living.
- Inputs have doubled.
- Cash rents too high.

PROGRAM IMPROVEMENT SUGGESTIONS (44 total comments)

- Net worth is too low.
- Better marketing and education.
- Increase the Personal Property Tax Exemption valuation.
- Provide an incentive to landowners who sell to a beginner (possibly a capital gains break).
- Help beginner find assets and asset owners.
- Grants to help beginners purchase equipment.
- Financial help for beginners.
- General education for beginners needed in marketing, transition/succession, business planning, and how to use and manage credit.
- Provide simple checklist for applicants to include deadlines.
- Application process is lengthy.
- Use county averages or insured figures for cash equivalents on share crop arrangements.
- Succession plan requirement a deterrent.

Participant Statistics As Reported for the Tax Year

Tax Year Participation	2010	2011	2012	2013	2014	2010 - 2014		Totals - 2001 to 2014 Since the Beginning
						Last 5 Yrs Total & Avg		
# of Owners Receiving Tax Credit	216	244	187	159	164	970		1370
Total Tax Credits Paid To Owners	\$ 1,460,453	\$ 1,385,531	\$ 926,031	\$ 842,864	\$ 954,659	\$ 5,569,538	\$	\$ 7,419,876
Average Tax Credit per Owner	\$ 6,761	\$ 5,678	\$ 4,952	\$ 5,301	\$ 5,821	\$ 5,742	\$	\$ 5,416
# of Beg. Farmers Paying Rent	177	190	137	126	134	764		1110
Total Rent Paid by Beg. Farmers	\$ 10,950,931	\$ 10,671,839	\$ 6,991,484	\$ 6,551,624	\$ 7,641,412	\$ 42,807,290	\$	\$ 60,916,896
Average Rent Paid per Beg. Farmer	\$ 61,870	\$ 56,168	\$ 51,033	\$ 51,997	\$ 57,025	\$ 56,030	\$	\$ 54,880
Applications Received	58	66	41	61	51	277		650

NextGen Financial Report

FY 2014 – 2015
July 1, 2014 – June 30, 2015

Account Code Description	Budgeted Amount	Year-To-Date	% of Budget	Variance-Favorable (Unfavorable)
<u>510000 Personal Services</u>				
511100 Permanent Salaries – Wages	\$35,266.21	\$23,915.82	67.82	\$11,350.39
512100 Vacation Leave Expense		\$1,863.88	0.00	(\$1,863.88)
512200 Sick Leave Expense		\$5,756.45	0.00	(\$5,756.45)
512300 Holiday Leave Expense		\$1,693.25	0.00	(\$1,693.25)
512500 Funeral Leave Expense		\$601.92	0.00	(\$601.92)
515100 Retirement Plans Expense	\$2,636.95	\$2,812.46	106.66	(\$175.51)
515200 FICA Expense	\$2,683.20	\$2,255.68	84.07	\$427.52
515400 Life & Accident Insurance Exp	\$11.00	\$11.17	101.55	(\$0.17)
515500 Health Insurance Expense	\$11,013.00	\$11,292.80	102.54	(\$279.80)
516300 Employee Assistance Program	\$15.00	\$0.00	0.00	\$15.00
516500 Workers Comp Premiums	\$363.00	\$364.00	100.28	(\$1.00)
<u>510000 Personal Services Total</u>	\$51,988.36	\$50,567.43	97.27	\$1,420.93
<u>520000 Operating Expenses</u>				
521100 Postage Expense	\$203.00	\$330.34	162.73	(\$127.34)
521200 Com. Exp – Voice/Data	\$541.00	\$506.10	93.55	\$34.90
521290 Com. Exp – Data only	\$7.00	\$7.34	104.86	(\$0.34)
521400 Data Processing Expense	\$1,286.00	\$1,192.89	92.76	\$93.11
521500 Publication & Print Expense	\$10,021.00	\$2,358.40	23.53	\$7,662.60
522200 Conference Registration	\$198.00	\$0.00	0.00	\$198.00
524744 Exhibit Space	\$271.00	\$70.75	26.11	\$200.25
531100 Office Supplies Expense	\$27.00	\$36.81	136.33	(\$9.81)
532100 Non-Capitalized Equip PU	\$2.00	\$0.00	0.00	\$2.00
534946 Promotional Supplies	\$37.00	\$236.46	639.08	(\$199.46)
538100 Vehicle & Equip Supp Exp	\$4.00	\$0.00	0.00	\$4.00
541100 Accounting & Auditing Service	\$75.00	\$75.44	100.59	(\$0.44)
555200 Software – New purchases	\$117.00	\$0.00	0.00	\$117.00
559100 Other Operating Exp	\$5,879.37	\$28.58	0.49	\$5,850.79
<u>520000 Operating Expenses Total</u>	\$18,668.37	\$4,843.11	25.94	\$13,825.26
<u>570000 Travel Expense</u>				
571100 Board & Lodging	\$221.00	\$947.45	428.71	(\$726.45)
571600 Meals – Not Travel Status	\$158.00	\$199.94	126.54	(\$41.94)
572100 Commercial Transportation	\$4.00	\$0.00	0.00	\$4.00
574500 Personal Vehicle Mileage	\$1,090.00	\$1,630.55	149.59	(\$540.55)
575100 Misc Travel Expense	\$82.00	\$120.00	146.34	(\$38.00)
<u>570000 Travel Expense Total</u>	\$1,555.00	\$2,897.94	186.36	(\$1,342.94)
Budgeted Expenditures Total	\$72,211.73	\$58,308.48	80.75	\$13,903.25

NextGen Outreach Activities

**FY 2014 – 2015
July 1, 2014 – June 30, 2015**

- Nebraska Farm Business Inc, Lincoln - July 1, 2014
- Nebraska Staff Training, Ashland – July 8-9, 2014
- Nebraska Ag Youth Institute Career Fair, Lincoln – July 10, 2014
- Farm Crisis Response Council – July 28, 2014
- Husker Harvest Days, Grand Island – September 9-11, 2014
- Nebraska College of Technical Agriculture Advisory Council Meeting, Curtis – September 12, 2014
- Farm Crisis Response Council, Lincoln – October 27, 2014
- Beginning Farmer and Rancher Development Meeting, Ashland – November 6, 2014
- Nebraska College of Technical Agriculture Career Fair, Curtis – November 6, 2014
- National Agriculture Bankers Conference, Omaha – November 10-11, 2014
- AgCeptional Women’s Conference, Norfolk – November 21, 2014
- Nebraska Power Farm Show, Lincoln – December 9-11, 2014
- Gage County Agri Business Show, Beatrice – January 20, 2015
- Farm Crisis Response Council, Lincoln – January 26, 2015
- Buffalo Bill Expo, North Platte – February 4-5, 2015
- Beginning Farmer and Rancher Development Meeting, Ashland – February 12, 2015
- AgrAbility Advisory Council Meeting, Kearney – February 25, 2015
- Women in Ag Conference, Kearney – February 26-27, 2015
- Governor’s Ag Conference, Kearney – March 4-5, 2015
- Nebraska Sustainable Agriculture Society Farm Beginnings Class – March 28, 2015
- FFA Annual Convention, Lincoln – April 8-10, 2015
- Coalition of Agricultural Mediation Programs, Baltimore, MD – April 28-29, 2015