

State of Arkansas

86th General Assembly

Regular Session, 2007

A Bill

HOUSE BILL 2373

By: Representative King

For An Act To Be Entitled

AN ACT TO PROVIDE AN INCOME TAX CREDIT TO A
TAXPAYER THAT SELLS AN AGRICULTURAL ASSET OR
AGRICULTURAL REAL ESTATE TO A BEGINNING FARMER OR
EXISTING YOUNG FARMER; AND FOR OTHER PURPOSES.

Subtitle

TO PROVIDE AN INCOME TAX CREDIT TO A
TAXPAYER THAT SELLS AN AGRICULTURAL
ASSET OR AGRICULTURAL REAL ESTATE TO A
BEGINNING FARMER OR EXISTING YOUNG
FARMER.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code Title 26, Chapter 51, Subchapter 5 is amended
to add an additional section to read as follows:

26-51-513. Sale of agricultural asset or agricultural real estate to a
beginning farmer or an existing young farmer.

(a) As used in this section:

(1)(A) "Agricultural asset" means personal property that is used
by a farmer on a farm.

(B) "Agricultural asset" includes without limitation:

(i) Farming equipment and machinery;

(ii) Livestock; or

(iii) Livestock production equipment and machinery;

(2) "Agricultural real estate" means real property that is used
as a farm and includes a facility or building on the farm;



(3) "Beginning farmer" means a farmer who:

(A) Is not less than twenty (20) years of age or more than forty-five (45) years of age;

(B) Has a net worth of not more than two hundred thousand dollars (\$200,000) at the time of purchase of an agricultural asset or agricultural real estate, including any holdings by a spouse or dependent, and based on the fair market value of assets;

(C) Has adequate experience or knowledge in the type of farm operations for which he or she is purchasing an agricultural asset or agricultural real estate; and

(D) Provides the majority of the day-to-day physical labor and management of a farm;

(4) "Existing young farmer" means a farmer who:

(A) Is not less than twenty (20) years of age or more than forty-five (45) years of age;

(B) Has a net worth of more than two hundred thousand dollars (\$200,000) but less than four hundred thousand dollars (\$400,000) at the time of purchase of an agricultural asset or agricultural real estate, including any holdings by a spouse or dependent, and based on the fair market value of assets;

(C) Has adequate experience or knowledge in the type of farm operations for which he or she is purchasing an agricultural asset or agricultural real estate; and

(D) Provides the majority of the day-to-day physical labor and management of a farm;

(5) "Farm" means any tract of real property in this state greater than ten (10) acres in area and that is used for or devoted to the commercial production of farm products or livestock;

(6) "Livestock" means an animal bred or raised for human consumption; and

(7) "Taxpayer" means an individual that sells an agricultural asset or agricultural real estate to a beginning farmer.

(b) A tax credit against the income tax imposed by the Income Tax Act of 1929, § 26-51-101 et seq., is allowed for a taxpayer that sells an agricultural asset or agricultural real estate to:

(1) A beginning farmer in an amount as determined in subsection

1 (c) of this section; and

2 (2) An existing young farmer in an amount as determined in
3 subsection (d) of this section.

4 (c) A tax credit allowed under this section is the percentage of the
5 sales price received by the taxpayer from a beginning farmer as follows:

6 (1) For an agricultural asset, fifty percent (50%); or

7 (2) For agricultural real estate, twenty percent (20%).

8 (d) A tax credit allowed under this section is the percentage of the
9 sales price received by the taxpayer from an existing young farmer as
10 follows:

11 (1) For an agricultural asset, twenty-five percent (25%); or

12 (2) For agricultural real estate, ten percent (10%).

13 (e) The tax credit allowed under this section is limited to one
14 million dollars (\$1,000,000) per taxpayer per lifetime.

15 (f) A tax credit allowed under this section expires after five (5) tax
16 years following the tax year in which the tax credit was earned.

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18 SECTION 2. This act applies to the sale of an agricultural asset or
19 agricultural real estate to a beginning farmer or an existing young farmer
20 that occurs after the effective date of this act.