

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 211** SLS 13RS 287

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 14, 2013 3:46 PM	Author: LONG
Dept./Agy.: Revenue/Agriculture/Wildlife and Fisheries	Analyst: Deborah Vivien
Subject: Credit for transfer of ag or fisheries property	

TAX/TAXATION OR -\$2,000,000 GF RV See Note Page 1 of 2
Provides income tax credits under the Beginning Farmer and Fisherman Income Tax Credit Program. (gov sig)

Proposed law provides a non-refundable income tax credit (carried forward up to 5 years), presumably to buyers, sellers and lessors of capital agricultural assets and fishing vessels if transferred from an established LA farmer, livestock producer or fisherman to a beginning LA farmer, livestock producer or fisherman, as defined in the bill. Transactions between family members are eligible with some qualifiers.

The credit is valued at 5% of the cash price and 10% of the value of the lease agreement for the seller or purchaser up to \$5,000 (though certain provisions must be clarified before the credit can be determined with any degree of certainty). The credit is issued on a first come-first served basis. The total annual credit cost to the state is capped at \$2 million. The credit terminates on December 31, 2018, though carry forwards provisions remain.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						
REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)	(\$10,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)	(\$10,000,000)

EXPENDITURE EXPLANATION

As outlined in the revenue section, this bill may require certification and valuation of as many as 400 cases, including information related to both parties to the transaction. Due to the technical nature of the eligibility requirements, significant administrative costs are anticipated for this bill.

The Department of Revenue indicates a minimal cost associated with system configuration and development and printing of forms due to this credit. LDR must also promulgate rules governing the credit. These expenses will have to be absorbed in the existing LDR budget unless incremental resources are provided. The Department of Agriculture is tasked with certifying eligibility of applicants and establishing fair market value for household assets related to eligibility and the assets in the transaction for farmers and livestock producers. The Office of Wildlife and Fisheries is also tasked with certifying eligibility of applicants and establishing fair market value for household assets related to eligibility and the assets in the transaction for fishermen. Both WLF and LDAF indicate that this will require additional specialized personnel, possibly a CPA and/or auditor, training, supplies and travel. With the number of anticipated applicants and the technical and financial requirements of qualification, the LFO believes additional personnel would be required to administer this credit.

REVENUE EXPLANATION

Proposed law provides a non-refundable income tax credit (carried forward up to 5 years), presumably to buyers and sellers or lessors of farm and fishing assets, including agricultural land (in excess of 10 acres), livestock, farming or livestock production facilities, buildings, machinery, purchased by beginning farmers and fishermen (fishing assets appear to be only commercial fishing vessels). The credit is for 5% of the cash price and 10% of the value of the share agreement for the seller and purchaser up to \$5,000 (it is not clear whether \$5,000 is a transaction cap, a per applicant cap, a per lease cap, an annual cap, etc.). The total value of the credit is capped at \$2 M annually. Assuming a per transaction cap of \$5,000 allows for 400 cases requiring certification of both parties net worth, job performance and asset value. The credit and any earned carryforwards terminate on December 31, 2018.

Given the vague definitions of the eligible assets and transactions and the eligibility of transactions between relatives with no explicit requirement for cash to change hands, it is possible that this credit will reach the cap each year of its existence. No credits will be granted after December 31, 2018, though the carryforward remains.

Eligibility requirements are summarized on the following page.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input checked="" type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {S}
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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CONTINUED EXPLANATION from page one:

	Beginning Farmer	Beginning Fisherman	Established Farmer	Established Fisherman
LA Resident	Yes	Yes	Yes	Yes
LA Business	Yes	Yes	No	Yes
Day to day industry participation requirement	less than 5 years and currently	less than 5 years and currently	at least 10 years	none (must own a LA registered commercial fishing vessel)
Means Test	Household net worth less than \$30,000 (also listed as \$400,000)	Household net worth less than \$30,000	at least 50% of gross income from ag.	none
Demonstrated Industry Knowledge and Expertise	Yes	Yes	No	No

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
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Senate

Dual Referral Rules

House

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Handwritten signature of Gregory V. Albrecht.

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