

## Ohio's Beginning Farmer Tax Credit Program

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Ohio's new Beginning Farmer Tax Credit Program aims to help level the playing field for beginning farmers in Ohio. It does so by encouraging beginning farmers to develop their financial management skills and providing tax incentives for owners to sell or lease agricultural assets to beginning farmers. Created by House Bill 95 in April of 2022, the new program is available as of the 2023 tax year. It will be in place until January 1, 2028, or when total income tax credits granted amount to \$10 million.

The Ohio Department of Agriculture's Farmland Preservation Office (ODA) will oversee the new program, working with the Ohio Department of Taxation. The program has four parts:

1. Eligible financial management courses for beginning farmers.
2. Qualification (or certification) of beginning farmers.
3. Income tax credits for qualified beginning farmers.
4. Income tax credits for those who sell or lease assets to certified beginning farmers.

**1. Eligible farm financial management courses for beginning farmers.** An individual who wants to become a qualified beginning farmer must complete a financial management program that has been approved by ODA. The training is intended to give beginning farmers financial management skills that can help secure the future

viability of the farm operation. To date, ODA has reviewed and approved 12 farm financial management courses. The list of eligible courses is on the ODA website at

<https://agri.ohio.gov/programs/farmland-preservation-office/Beginning-Farmer-Tax-Credit-Program>.

**2. Qualification of beginning farmers.** The law charges ODA with the task of determining individuals who qualify under the law as a "beginning farmer." The law requires a beginning farmer to meet these criteria to become qualified:

- A resident of Ohio.
- Seeking entry to or has entered farming within the last 10 years.
- Farming or intending to farm in Ohio.
- Has a total net worth of less than \$800,000 in 2021, including spouse and dependent assets, as adjusted for inflation each year.
- Provides the majority of the daily physical labor and management for the farm.
- Has adequate farming experience or knowledge in the type of farming the individual is conducting.
- Submits projected earnings statements and demonstrates profit potential.
- Demonstrates farming will be a significant source of income for the individual.
- Is not a partner, member, shareholder, or trustee of the assets the individual is seeking to purchase or rent.
- Completes a financial management course that is approved by ODA.

An individual applies for qualification by submitting the “Beginning Farmer Tax Credit Application” available on ODA’s website at <https://agri.ohio.gov/programs/farmland-preservation-office/Beginning-Farmer-Tax-Credit-Program>. If it approves the application, ODA will issue a certificate to the qualified beginning farmer.

**3. Income tax credits for qualified beginning farmers.** A qualified beginning farmer can receive an income tax credit for the cost of participating in an eligible financial management course. The tax credit will equal the cost incurred for the program during the calendar year. It is a nonrefundable tax credit and can carry forward for not more than three succeeding tax years if it exceeds the beginning farmer’s tax liability in the year granted. The individual applies for the tax credit when applying for qualification as a beginning farmer, and the applicant must submit proof of the cost and completion of the course. If ODA approves the application, the Ohio Department of Taxation will issue a tax credit certificate to the beginning farmer.

**4. Income tax credits for owners who sell or rent assets to qualified beginning farmers.** To encourage the transition of assets to beginning farmers, the law also provides tax credits to owners of “agricultural assets” who either sell or lease those assets to a qualified beginning farmer. “Agricultural assets” are assets used for agricultural production in Ohio, and includes:

- Land in agricultural production (10 or more or if under 10 acres, earning \$2500 in average annual gross income from agriculture);
- Livestock;
- Facilities and buildings;
- Machinery.

The income tax credit is 3.99% of the asset sale price or the gross rental income received during a calendar year for a cash or share rental lease. In the case of a rental, the credit can be claimed

over the first three years of the lease. It is a nonrefundable tax credit but may carry forward for seven succeeding tax years if it exceeds the owner’s income tax liability.

Several points are important to earning this income tax credit:

- The beginning farmer must be approved as a qualified beginning farmer before the asset transaction occurs.
- The sale of assets must occur during the calendar year the credit is applied for.
- The owner of an agricultural asset cannot be an equipment dealer or an entity in the business of selling assets for profit.
- The qualified beginning farmer cannot be a partner, member, shareholder, or trustee with the owner of the agricultural assets.
- Rented assets must be rented at prevailing community rates, as determined by ODA in consultation with Ohio’s tax commissioner.

The asset owner requests the tax credit by submitting the Beginning Farmer Tax Credit Asset Transfer Form application with supporting materials, available on the ODA website at <https://agri.ohio.gov/programs/farmland-preservation-office/Beginning-Farmer-Tax-Credit-Program>. If ODA approves the application, the Ohio Department of Taxation will issue a tax credit certificate to the asset owner.

### **Pre-planning is critical**

Timing is important to ensure eligibility for the tax credits under this program. Both parties will benefit from pre-planning and working with their professional advisors to understand requirements and capitalize on this tax credit opportunity.

The Beginning Farmer Tax Credit Program law is in Ohio Revised Code Section 901.61, available online at <https://codes.ohio.gov/ohio-revised-code/section-901.61>