STATE OF MINNESOTA
Legislative Budget Office

Credit for Sale of Agricultural Assets Evaluation Summary

Objective

The objective of the Credit for Sale of Agricultural Assets is to lower the barrier of entry for a beginning farmer and make them more financially competitive.

Background

The Credit for Sale of Agricultural Assets is a nonrefundable tax credit available to taxpayers who sell or rent agricultural assets to a beginning farmer. This tax credit incentivizes the sale or lease of agricultural assets to beginning farmers by providing sellers and owners with a nonrefundable credit against the individual income tax equal one of the following:

- 8% of the sale price or market value of the asset, up to $50,000;
- 10% of the gross rental income in each of the first three years of a rental agreement, up to $7,000 per year; or
- 15% of the cash equivalent of the gross rental income in each of the first three years of a rent-share agreement, up to $10,000.

Summary Information

Year Enacted	2017
Statute	Minnesota Statutes 2025, section 290.06, subdivision 37 and section 41B.0391
Tax Type	Individual Income Tax
Provision Type	Nonrefundable Credit
Latest Fiscal Impact Estimate	$4,000,000 – Fiscal Year 2027*
Latest Claims Estimate	395 – Tax Year 2025
Expiration Date	December 31, 2030

**The latest estimate of fiscal impact was produced in 2024; however, the allocation caps have been eliminated for 2026 by the 2026 legislature. The cap of $4 million per year will apply again from 2027 through 2030. In 2025, over $8,300,000 in credits were requested by asset owners.*

To claim the credit, an asset owner must enter into a sale or rental agreement with a beginning farmer that has satisfied a farm business management education requirement. This requirement connects the Credit for Sale of Agricultural Assets with the Beginning Farmer Management Credit. The two credits together are referred to as the Beginning Farmer Tax Credit Program, administered by the Rural Finance Authority (RFA) under the Minnesota Department of Agriculture.

Key Findings

- Based on a rigorous statistical analysis of income tax and application data, the LBO is unable to make causal claims about the effectiveness of the Credit for Sale of Agricultural

Assets with respect to lowering the barrier of entry for a beginning farmer or making them more financially competitive.

- However, there is a positive correlation between the availability of the Credit for Sale of Agricultural Assets and an increase in the expenses of beginning farmers to rent or lease farm equipment or land.
- Based on the latest available tax filing data, there were 193 claimants of the credit in tax year 2023 for an average credit of $11,938.
- The Credit for Sale of Agricultural Assets represents about 60% of the net income of claimants.
- According to the 2025 annual legislative report published by the RFA, 395 credit certificates were issued to asset owners in 2025, totaling $4,000,000, and averaging $10,127 per credit issued. Requests for the credit exceeded the amount of funds available between 2023 - 2025.
- According to a survey of program participants conducted by the University of Indiana, 98 out of 126 (78%) beginning farmers in Minnesota expressed they continued facing land access challenges despite the program, and slightly over 50% of beginning farmers and asset owners indicated that the sale or lease of land would have happened regardless of the tax credit.

Potential Modifications

- Extend the elimination of the funding cap beyond 2026 to meet high program demand.
- Eliminate the cap only for agreements that involve a sale of land or asset and continue the cap for agreements of leases or rentals to prioritize the sale of land and assets to beginning farmers.
- Implement a regional prioritization system to target regions across the state that have high demand for the program and also have higher levels of agricultural land consolidation.
- Repeal the statutory requirement to administer the Credit for Sale of Agricultural Assets on a first-come, first-served basis to allow the RFA to systematically issue credits in a manner that may meet the needs of the state in a more equal or equitable manner.

Contact Information and Disclaimer

- This tax expenditure evaluation was prepared by the Legislative Budget Office for the Tax Expenditure Review Commission.
- For more information, please visit the Tax Expenditure Review Commission website. For the complete report visit the TERC report page.
- Contact the Legislative Budget Office at 651-297-7146 or lbo@lbo.mn.gov with questions.