Minnesota Tax Expenditure Evaluation: Beginning Farmer Management Credit and Credit for Sale of Agricultural Assets

Prepared for the Tax Expenditure Review Commission

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Executive Summary

The Tax Expenditure Review Commission (TERC) is responsible for reviewing the effectiveness and efficiency of Minnesota's tax expenditure policies. The TERC has elected to review and evaluate two tax credits that aim to make beginning farmers more successful. First, the Beginning Farmer Management Credit where beginning farmers receive partial reimbursement for the costs associated with participating in a management course which aims to equip them with the tools needed for effective farm operations and long-term success. Second, the Credit for Sale of Agricultural Assets seeks to incentivize farmers to sell or lease agricultural assets to beginning farmers over other viable buyers or renters.

The intent of this evaluation is to assess the effectiveness and efficiency of these two farming tax credits, examining the extent to which they achieved their stated objectives. Analyzing applications data from the Minnesota Rural Finance Authority and claims data from the Minnesota Department of Revenue, this evaluation highlights the following key findings:

1. *Beginning Farmer Management Credit:* On average, 287 beginning farmers claimed the credit every year from 2018 to 2023 for an average credit claim of $1,209, while the average net farm income of claimants was $4,814. In 2025, 80% of beginning farmers who participated in the program were emerging farmers (35 or younger, veterans, women, persons with disability, American Indian or Alaska Native, member of community of color, LGBTQIA+).[1]

2. *Credit for Sale of Agricultural Assets*: From 2018 to 2023, on average, 184 farmers claimed the credit for an average credit claim of $6,792. The average net farm income of claimants was $11,308. In 2025, 81% of applicants entered into agreements with emerging farmers, up from 75% in 2024.[2]

3. *Evaluation Results*: the LBO is unable to make causal claims based on a rigorous statistical analysis about the effectiveness of the tax credits. However, based on a comparative analysis of claimants and non-claimants of the credits from 2012 to 2024, the Beginning Farmer Management Credit appears to have a positive correlation with the net farm income of beginning farmers with a federal adjusted gross income less than $100,000. A similar positive correlation is observed between the issuance of the Credit for Sale of Agricultural Assets and

[1] Emerging farmers is a legacy term of the program as defined in Minnesota Statutes 2025, section 17.055, include women, veterans, persons with disabilities, American Indian or Alaskan Natives, members of a community of color, young, lesbian, gay, bisexual, transgender, queer, intersex, or asexual (LGBTQIA+), or urban and any other emerging farmers as determined by the commissioner.

[2] Until 2025, 50% of newly issued credits to agricultural asset owners were to be allocated for agreements with emerging farmers. In 2025, statute was modified to replace "emerging farmers" with "limited land access farmer," as defined in Minnesota Statutes 2025, section 17.133. Limited land access means farming without ownership of land and having to rent land. More detail included in Appendix C: Glossary.

an increase in rent or lease expenses of farm equipment and farmland for beginning farmers with a federal adjusted gross income less than $100,000. To be clear, there are many omitted variables related to economic conditions surrounding the agriculture industry, so this is strictly a comment on correlating trends. Further, the Beginning Farmer Management Credit represents about 25% of the average net income of beginning farmers who claimed the credit, while the Credit for Sale of Agricultural Assets represents about 60% of the net income of claimants.

Introduction

Agriculture represents an important sector of the Minnesota economy, accounting for $26 billion in sales per year.[3] For context, Minnesota generated $406.8 billion in gross domestic product in 2025.[4] Farming is an essential component of the Minnesota agricultural sector. Farmers can be categorized into two groups: beginning farmers or those with 10 years or less of farming experience, and established farmers with more than 10 years of farming experience. Although both groups of farmers face a number of challenges, beginning farmers face particular challenges related to reduced participation in government programs and a lack of access to credit, farmland, markets, and technology.[5] In 2017, to help beginning farmers overcome some of these challenges, Minnesota enacted two non-refundable tax credits: Beginning Farmer Management Credit and the Credit for Sale of Agricultural Assets.

The Beginning Farmer Management Credit is a nonrefundable credit that eligible farmers can claim to compensate them for enrollment costs in a financial management program approved and certified by the Minnesota Rural Finance Authority (RFA).[6] The Beginning Farmer Management Credit aims to incentivize beginning farmers to participate in a financial management program to improve the farming operation success rate in the state of Minnesota.

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. The Credit for Sale of Agricultural Assets aims to lower the barrier of entry for beginning farmers and to make them more financially competitive by incentivizing current land owners to sell or lease land and other agricultural assets to beginning farmers.

The Tax Expenditure Review Commission (TERC) directed the LBO to evaluate these two nonrefundable tax credits. The two tax expenditures are bundled into one evaluation since both policies create intervention programs that aim to benefit beginning farmers in Minnesota. While the objectives of both programs are slightly different, both programs emphasize supporting beginning farmers to promote their success in the farming industry.

Using application data from the Minnesota RFA and tax credit claims data from the Minnesota DOR from 2012 to 2024, the LBO found that the Beginning Farming Management Credit is positively associated with an increase in net income of farmers

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[3] Minnesota Department of Agriculture. Minnesota Agricultural Profiles. Accessed July 13, 2026. Minnesota Agricultural Facts and Stats two-page flyer. https://www.mda.state.mn.us/business-dev-loans-grants/economic-analysis-market-research
[4] U.S. Bureau of Economic Analysis, "SAGDP1 State annual gross domestic product (GDP) summary" (accessed July 28, 2026).
[5] Congressional Research Service. Beginning Farmers or Ranchers (BFRs): Challenges and Opportunities. November 18,2024. https://www.congress.gov/crs_external_products/R/PDF/R48269/R48269.2.pdf
[6] Farm Business Management Programs, “Approved FBM Programs”, Minnesota Department of Agriculture, (2025). List of Approved FBM Programs https://www.mda.state.mn.us/fbmprograms

with a FAGI less than $100,000. The Credit for Sale of Agricultural Assets shows a similar positive correlation to the increase in expenses for lease or rent of equipment and farmland of beginning farmers with a FAGI less than $100,000. Further, analyzing the relative size of the two tax credits, the LBO concludes that the two tax credits represent 25% and 60% of net income of all farmers who claimed the Beginning Farmer Management Credit and all farmers who claimed the Credit for Sale of Agricultural Assets, respectively.

This report provides background material on the two tax credits and the farming industry from a state and national perspective, followed by a summary of both the financial performance trends of beginning farmers and the challenges and barriers they face. The report then offers a brief overview of similar tax incentives offered by the state of Minnesota and at the federal level. An analysis of the two tax credits is based on program applicant data as provided to the RFA housed within the Minnesota Department of Agriculture and aggregate taxpayer filing data provided by the DOR. An assessment of administrative burden is included to touch on the efficiency of the two credits. The report closes with a summary of beginning farmer tax incentive programs and evaluation findings of other states.

Background

Overview of the Credits

Good farm management is foundational to farming success. Farm management involves allocating scarce resources such as land, machinery, labor, and technology to optimize farming operation success. As is the case in most business organizations, farm managers are tasked with making a number of decisions to mitigate risks, lower costs of farming operation, and maximize agricultural production. Advancements in technology and increases in globalization coupled with risks of external shocks present evolving challenges to farm management. Beginning farmers can learn good management practices from more established farmers through tailored assistance, learning-by-doing, or through education and training programs. Thus, a farm management course such as those supported by the Beginning Farmer Management Credit aims to facilitate the management learning process.

The Beginning Farmer Management Credit reimburses eligible farmers who attend farm management courses and receive one-on-one counseling. The credit is equal to the cost of participating in a financial management program, up to $1,500 per year, for three years. If the full credit is not utilized, any unused credit can be carried forward for up to three years. The Beginning Farmer Management Credit was enacted in 2017 and is set to sunset December 31, 2030. Eligibility is not contingent on participation in an agreement for sale or lease of an agricultural asset.

In 2025, 223 Beginning Farmer Management Credits were issued by the RFA for a total of $253,691. There were 489 beginning farmers registered with the RFA in the same year under the Credit for Sale of Agricultural Assets, meaning not every registered beginning farmer needed to enroll in a farm management course to satisfy the education requirement under the Credit for Sale of Agricultural Assets.

The farm management courses are approved by the RFA. The courses are offered by state technical colleges, individual instructors, and non-profit organizations, and cover topics that include business plan development, record keeping systems, financial statements, tax help, marketing support, accessing loans and grants, among other topics. The Beginning Farmer Management Credit is more focused on the education, knowledge, and skillsets a farmer needs to run a financially successful business.[7] The underlying rationale is that beneficiaries of the credit are incentivized to participate in a farm management program that will position them advantageously with tools and strategies for long-term success in the farming industry.

The Credit for Sale of Agricultural Assets intervention targets increased access to land and farming assets for beginning farmers by incentivizing property owners to prioritize

[7] Farm Business Management Programs, “What is Farm Business Management?”, MN Department of Agriculture, (2025): https://www.mda.state.mn.us/fbmprograms

beginning farmers as preferred customers. To clarify, under the Credit for Sale of Agricultural Assets, beginning farmers must satisfy an education requirement for the participating asset owner to be eligible for the credit.

This 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 to one of the following:

- 8% of the sale price or market value of the asset, up to $50,000;[8]
- 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.

Annual allocations for the credit have been capped at $4,000,000 since 2024; however, the cap was removed for tax year 2026 by the 2026 legislature and will revert back to $4,000,000 in tax year 2027.[9] In tax year 2020, approximately 500 taxpayers claimed this credit. More recently in 2025, 395 tax credits were issued by RFA and 585 applications were denied as requests exceeded the $4 million cap.[10] Estimated fiscal impact for fiscal year (FY) 2027 was $4,000,000 according to the 2024 Tax Expenditure Budget; however, the temporary cap removal is likely to affect the final FY2027 fiscal impact.

The Credit for Sale of Agricultural Assets was enacted in 2017 and was extended in 2023 to sunset after December 31, 2030. Any unused credit may be carried forward for up to 15 years.

National Beginning Farmer Trends

According to the 2022 Census of Agriculture, in 2022, the United States had just over one million producers, or farmers, who identified as beginning farmers.[11] Beginning farmers accounted for 30% of the country's 3.37 million agricultural producers. The largest share of beginning farmers resided in states along the East and West Coasts. The average age of a beginning farmer was 47 years, with 24% of beginning farmers

[8] The rate is 12% if selling to a limited land access farmer in 2025 or later, or to an emerging farmer prior to 2025.
[9] Annual credit allocations were $5 million in 2018, $6 million plus any rollover allocations for 2019 – 2022, $6.5 million with no rollover allocations in 2023, and $4 million with no rollover for 2024 – 2030 with the exception of the cap removal applying only to tax year 2026. The temporary cap removal was enacted under Laws of Minnesota 2026, chapter 128, article 2, section 7.
[10] Rural Finance Authority. Beginning Farmer Tax Credit 2025 Legislative Report. Minnesota Department of Agriculture. February 1, 2026. Page 5.
[11] The 2022 Census of Agriculture defines the term "producer" as a person who is involved in making decisions for the farm operation. For the purposes of this evaluation, we use the term interchangeably with "farmer."

under 35 years of age. The average age of all farmers was 58 years, while farmers under 35 years of age represented only 9% of all US farmers.[12]

Farms with beginning farmers accounted for 196 million acres of land, 22% of the US total. The majority of farms with beginning farmers (51%) were less than 50 acres in size. The average size of farms with a beginning farmer was 312 acres, compared to 463 acres for all US farms. Furthermore, 74% of farms operated by a beginning farmer were on land owned by the beginning farmer, while 9% were operated by farmers who rent their land. The other 17% of farms operated by a beginning farmer were on land that was a combination of owned and rented land.[13]

Minnesota Beginning Farmer Trends

The 2022 Census of Agriculture counted just under 29,600 new and beginning farmers in Minnesota. Over 114,800 farmers were counted in the state, meaning that new and beginning farmers accounted for just under 26% of all farmers in Minnesota. The average age of new and beginning farmers was 44 years of age. Approximately 65% of new and beginning farmers were male and 35% were female. Farming was not the primary occupation for 74% of new and beginning farmers. Just under 11,300 farmers were considered young farmers, defined as 34 years of age or younger. Just over 9,000 farmers were considered both “new and beginning” and “young farmers.”[14]

There were 18,914 farms with new and young farmers involved in the farm operations. Of these, there were 16,642 farms where the new and beginning farmer owned land in the farm, and 7,301 farms where the beginning and new farmer rented land in the farm. On 11,613 farms, the new and beginning farmers were considered full owners, on 5,029 farms the new and beginning farmers were part owners, and on 2,272 farms they were tenants.[15]

Between the 1997 Agricultural Census and 2022 Agricultural Census, the total number of farms decreased from 80,838 to 65,531. Land dedicated to farming decreased as well from 27,512,270 acres to 25,442,625 acres; meanwhile the average farm size increased from 340 acres to 388 acres. These data points highlight a consolidation of farmland and an increase in rural development.[16]

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[12] US Department of Agriculture. New and Beginning Producers, “Numbers and Location”, 2022 Census of Agriculture, (2024): 2022 Census of Agriculture Highlights for New and Beginning Farmers. https://www.nass.usda.gov/Publications/Highlights/2024/Census22_HL_Beginning.pdf

[13] Congressional Research Service. Beginning Farmers or Ranchers (BFRs): 2024.

[14] US Department of Agriculture. 2022 Census of Agriculture. Minnesota. Table 70 New and Beginning Producers – Selected Producer Characteristics: 2022 and 2017; Table 68 Young Producers – Selected Producer Characteristics:2022.

[15] US Department of Agriculture. 2022 Census of Agriculture. Minnesota. Table 69 Selected Farm Characteristics - Farms with New and Beginning Producers: 2022 and 2017

[16] US Department of Agriculture. 2022 Census of Agriculture. Minnesota. Table 1 Historical Highlights: 2022 and Earlier Census Years.

The Farm Business Management program (FBM) through the Minnesota State Colleges system produces an annual report on the financial status of Minnesota beginning farmers based on financial data provided by graduates and enrollees of the FBM program. Financial data of program participants is categorized into three cohorts according to experience. The first cohort includes Minnesota farmers with 10 years or less of farming experience, referred to as beginning farmers (667 farms). The second cohort includes farmers with 11-30 years of farming experience, referred to as mid-career farmers (758 farms). The final cohort includes farmers with greater than 30 years of farming experience, referred to as long-term farmers (864 farms). The financial status of farmers is analyzed based on five-year averages with the latest report, published in April 2026, including years 2021 through 2025.

The 2026 report finds that, on average, beginning farmers generated lower levels of income; leveraged less resources in terms of working capital, crop acreage, and owned equipment; and incurred higher levels of debt relative to earnings when compared to farmers with more years of experience. Higher interest expense ratios for beginning farmers in 2025 suggests higher borrowing need compared to the other two cohorts.[17] These findings point to the general challenges faced by beginning farmers.

To reiterate, these findings are specific to farmers who have participated in the FBM program through the Minnesota State Colleges system. A comparison of the financial status of farmers who have not participated in such a program was not provided in the report. While the data is not inclusive of all farms in the state, analysis of this data provides insights into the financial outcomes of beginning farmers participating in the FBM program. This is relevant to this evaluation as the RFA estimates the vast majority of beginning farmer participants in the credit program meet their education requirements through enrollment in the FBM program. For reference, Figures 1 and 2 provide the tables of financial metrics for FBM program participants as provided in the 2026 Financial Status of Beginning Farmers Annual Report.

[17] Josh Tjosaas et al. "Financial Status of Beginning Farmers," Minnesota State Farm Business Management Program, April 2025. https://www.agcentric.org/farm-business-management/annual-fbm-reports/#year-1955

Figure 1. Five-Year Average (2021-2025) [Financial Metrics of Minnesota Farm Business Management Program Participants - Not All Minnesota Beginning Farmers]

Financial Summary **Income Statement**	**Beginning Farmer** 10 or less years farming	**Mid-career Farmer** 11 to 30 years farming	**Long Term Farmer** Over 30 years farming
Income Statement			
Gross cash farm income	$467,885	$1,150,511	$1,419,398
Total cash farm expense	$396,718	$966,110	$1,171,863
Average net farm income *	$98,028	$190,212	$211,068
Median net farm income *	$49,554	$97,948	$107,823
Liquidity			
Working Capital	$189,018	$439,514	$611,149
Working Capital as % GFI **	36.4%	36.2%	41.8%
Working Capital as % Op Ex [operating expenditures]	50.7%	48.5%	55.1%
Profitability (cost)			
Rate of return on assets	7.6%	6.3%	5.0%
Rate of return on equity	12.1%	8.0%	5.4%
Solvency (yearend at market)			
Total assets	$1,582,901	$3,826,391	$5,607,941
Total liabilities	$715,285	$1,387,764	$1,465,247
Net worth	$867,615	$2,438,627	$4,142,694
Total Debt to Asset Ratio	48%	36%	26%
Replacement Capacity			
Debt Coverage Ratio	2.38	1.91	1.86
Term Debt Coverage Ratio ***	2.54	2.02	1.97
Efficiency			
Operating Expense Ratio	71.8%	74.7%	75.8%
Net Farm Income Ratio	18.6%	15.2%	13.7%
Non-farm			
Median Non-farm Income	$52,012	$48,963	$39,360
Tot Farm Liv & NF Invest.	$83,772	$112,134	$137,788
Crop Acres			
Crop Acres Owned	62	179	304
Total Crop Acres	397	878	1,035
Machinery Value/Crop Acre	$572	$785	$992
Average Land Rent/Acre	$190	$196	$215
Percent Crop Acres Owned	16%	20%	29%

* "This table shows that beginning farmers have significantly lower levels of average and median net farm income, suggesting more challenges in economic downturns on the farm."
** "Working capital as a % of gross farm income is a financial metric that shows the amount of support available to a farm when faced with increased financial stress."
*** "On average, the beginning farmers have a higher term debt coverage ratio."

Source: Minnesota State Agricultural Centers of Excellence. Financial Status of Beginning Farmers 2026. State Farm Business Management Education Program

Figure 2. 2025 Financial Metrics [Minnesota Financial Business Management Participants - Not All Minnesota Beginning Farmers]

Selected Financial Factors	**Beginning Farmer** 10 or less years farming	**Mid-career Farmer** 11 to 30 years farming	**Long Term Farmer** Over 30 years farming
Gross cash farm income	$436,263	$1,249,000	$1,486,778
Average net farm income	$72,982	$146,746	$153,488
Median net farm income	$39,222	$74,574	$80,523
Rate of return on assets	6.0%	4.7%	3.4%
Rate of return on equity	7.6%	4.5%	2.4%
Net worth	$903,190	$2,717,583	$4,580,408
Total Debt to Asset Ratio	46%	37%	26%
Operating Expense Ratio	73.7%	77.5%	78.6%

Source: Minnesota State Agricultural Centers of Excellence. Financial Status of Beginning Farmers 2026. State Farm Business Management Education Program

Barriers and Challenges for Beginning Farmers

While every farm is situated uniquely due to many factors such as region, available resources, technology, equipment, etc., there are some overarching issues that the farming industry faces: high input costs, an agriculture workforce shortage, resource depletion, degradation of farmland soil, and urban development in rural farming communities.[18] Some of these issues can be even bigger problems for new and beginning farms, as well as small family-owned farms.

In many cases, the high input costs of maintaining crops and livestock make large profitability difficult; as of 2022, 79.5% of US farms make less than $100,000 annually in gross sales. Roughly 9% of US farms make more than $500,000 annually in gross sales.[19] The lack of revenue gained by this industry helps explain agriculture workforce shortages and a cultural shift away from careers in agriculture.

On top of some of these structural challenges that all agricultural industry faces, new and beginning farmers face additional barriers. In many cases, beginning farmers struggle to gain access to land, assets and assistance that connects them with land,

[18] Congressional Research Service. Beginning Farmer or Ranchers (BFRs). 2024

[19] Christine Whitt and Stephanie Rosch. 2023 and 2024 Farm Sector Profitability: Issues for Congress. Congressional Research Service. November 21, 2024. Congressional Report available at https://www.congress.gov/crs-product/R48278

capital, market equipment, water, labor, training and technical assistance they need to succeed.[20]

Many farmers, especially smaller farmers with limited capital or the ability to purchase equipment, have turned to hiring custom field operations instead of purchasing equipment to do the work themselves.[21] This option for smaller farmers may be more economical in some situations, and reduce the need for purchasing or renting equipment. In other situations, there is some evidence that purchasing equipment would yield a higher return on investment, but it is dependent upon a multitude of variables.[22] Suppose a beginning farmer chooses to purchase or rent equipment instead of hiring field operations. In that case, this credit may make it possible to achieve access to equipment and increase the farmers' profitability and success.

Beginning Farmer Tax Credit Survey – Indiana University

To better understand the experience of beginning farmers participating in tax incentive programs designed to support them, this section highlights the findings of a 2022 survey conducted by Indiana University. The survey was part of a USDA-funded assessment of land access incentive policies nationwide in partnership with the American Farmland Trust and the US Department of Agriculture. Researchers conducted surveys of participants of beginning farmer tax incentive programs in Iowa, Minnesota, and Nebraska. The three states offer their own variation of a tax credit for the sale or rent of agricultural assets to beginning farmers. The survey provides valuable insights into how participants experience their respective credit programs for sales of agricultural assets.

In Minnesota, survey respondents included 126 beginning farmers and 151 asset owners. Generally, respondents expressed a high level of satisfaction with the overall Beginning Farmer Tax Credit Program. Over 50% of participating beginning farmers indicated that the tax credit program helped them to lease farmland and less than 40% said the program helped them purchase farmland. Yet 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. The same survey found that 70% of arrangements were cash-rent agreements.[23] Further, 7% of lease agreements within the program led to a sale of assets to the same beginning farmer, while 78% of the beginning farmers expressed that they continued to face land access challenges at time of the survey. Finally, 20% of beginning farmers did not grow up on a farm, which is indicative of

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[20] Scott Callahan and Daniel Hellerstein. Access to Farmland by Beginning and Socially Disadvantaged Farmers: Issues and Opportunities. US Department of Agriculture Economic Research Service. December 2022; Iowa Department of Revenue. Iowa Beginning Farmer Tax Credit Program, "Beginning Farmer Defining Barriers." 2025: https://revenue.iowa.gov/media/4334/download?inline

[21] Glennis McClure. "Custom Rates for 2025 Field Operations." Farms.com. February 17, 2025. https://www.farms.com/news/farm-equipment/custom-rates-for-2025-field-operations-223479.aspx

[22] Glennis McClure and Jim Jansen. "Equipment Ownership or Custom Hire." Farm Progress. August 10, 2018. https://www.farmprogress.com/farm-operations/equipment-ownership-or-custom-hire-

[23] Julia Valliant and Marie O'Neill. Minnesota Beginning Farmer Tax Credit Survey Results. Indiana University Food and Agrarian Systems. Page 2. 2022. https://farmlandinfo.org/wp-content/uploads/sites/2/2023/04/minnesota-survey-results-beginning-farmer-tax-credit-participants.pdf

participants that are first-generation farmers.[24] This was a higher rate compared to Iowa and Nebraska.

The Iowa and Nebraska surveys produced similar results to the Minnesota survey. The Iowa survey participants included 213 beginning farmers and 312 asset owners, while the Nebraska survey included 50 beginning farmers and 100 landowners. Generally, there is a positive attitude towards the tax credit programs from beginning farmers and asset owners alike in both states. Over 50% of beginning farmers in both Iowa and Nebraska stated the credit helped them to lease land or another asset. In both states, less than 25% of beginning farmers stated the credit helped them to purchase land or an agricultural asset – notably less than in Minnesota. Over 50% of beginning farmers said that a lease or purchase agreement would have gone through regardless of the credit in both Iowa and Nebraska. Cash rent agreements made up 52% of arrangements in both states, less than in Minnesota.[25] Also, 70% of beginning farmers in both states expressed continued challenges with land access. Iowa and Nebraska had a larger percentage of generational farmers participating in their unique programs rather than first-generation farmers, 94% and 88%, respectively.[26]

The survey results provide further context for evaluating the effectiveness of these tax credits. While participants generally view their respective credit programs favorably, participant feedback also highlights a lack of dependence on the credit programs for rental and lease agreements to be executed as well as continued unmet land access needs.

Review of Federal and Other Minnesota Tax Incentives

Federal

There are no federal tax incentives designed specifically for the purpose of increasing access to land and equipment to beginning farmers. However, the USDA Farm Service Agency administers the Transition Incentives Program which provides incentives to landowners to sell or lease their expiring Conservation Reserve Program (CRP) land to beginning, veteran, or socially disadvantaged farmers and ranchers. The incentive to

[24] Julia Valliant and Marie O'Neill. 2022 Survey of Minnesota Beginning Farmer Tax Credit Participants: Results Summary. Page 2. https://farmlandinfo.org/wp-content/uploads/sites/2/2023/04/minnesota-state-summary-beginning-farmer-tax-credit-participants.pdf

[25] Julia Valliant and Marie O'Neill. Iowa Beginning Farmer Tax Credit Survey Results. Indiana University Food and Agrarian Systems. 2022.; Julia Valliant and Marie O'Neill. Nebraska Beginning Farmer Tax Credit Survey Results. Indiana University Food and Agrarian Systems. 2022.

[26] Julia Valliant and Marie O'Neill. 2022 Survey of Iowa Beginning Farmer Tax Credit Participants: Results Summary. Indiana Food and Agrarian Systems. 2022. Pages 1-3.; Julia Valliant and Marie O'Neill. 2022 Survey of Nebraska Beginning Farmer Tax Credit Participants: Results Summary. Indiana Food and Agrarian Systems. 2022. Pages 1-3

landowners is an additional two annual rental payments under the CRP.[27] The CRP is a voluntary USDA program that pays farmers and ranchers annual rental payments and cost-share assistance to retire environmentally sensitive land from production for 10 to 15 years.[28] In 2025, 25 payments were made to 20 different Minnesota land owners under the Transition Incentives Program. The sum of the 25 payments was $103,617.00, with an average payment of $5,181.00.[29]

Minnesota

Other Minnesota tax incentives specific to the farming sector include the Green Acres Treatment of Agricultural Land Program and the Metropolitan Agricultural Preserves Credit and Preferential Computation. The programs work together to limit increases in market value of farmland affected by development pressure and other outside influences. These programs are administered at the county level.[30] The estimated value to beneficiaries of the Green Acres Land Program is $25,800,000 in Fiscal Year 2027. The value of the Metropolitan Agricultural Preserves Credit is estimated at $500,000 in Fiscal Year 2027 and the value of the Metropolitan Agricultural Preserves Preferred Computation is $1,700,000 for the same year.

Additionally, the state of Minnesota offers a sales tax exemption on farm machinery equipment with the objective of reducing potential tax pyramiding and promoting transparency in the tax system by exempting machinery and equipment used directly in the agricultural production of tangible personal property ultimately intended to be sold at retail. The TERC approved this objective in 2022. The estimated forgone revenue in Fiscal Year 2027 is $65,200,000.[31]

Farm machinery includes new or used machinery, equipment, implements, accessories, and contrivances used directly and principally in agricultural production of tangible personal property intended to be sold ultimately at retail. Examples include seeding machinery, milking systems, irrigation equipment, among other types of machinery and equipment. The exemption does not apply to repair or replacement parts, tools or shop equipment, or vehicles subject to the motor vehicle sales tax. Other restrictions are outlined in Minnesota Statutes 2025, section 297A.61, subdivision 12.

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[27] Farm Service Agency. Transition Incentives Program. U.S. Department of Agriculture. Accessed on July 28, 2026. https://www.fsa.usda.gov/resources/Conservation/transition-incentives-program

[28] Farm Service Agency. Conservation Reserve Program. U.S. Department of Agriculture. Accessed on July 28, 2026. https://www.fsa.usda.gov/resources/conservation/conservation-reserve-program

[29] Farm Service Agency. 2025 State Freedom of Information Act Payment File: state la-mn.foia.na.pmt25.finaldt25365. accessed on July 28, 2026.

[30] Minnesota Department of Revenue. Green Acres and Rural Preserve. Accessed on July 7, 2026. https://www.revenue.state.mn.us/green-acres-and-rural-preserve

[31] Department of Revenue. 2024 Tax Expenditure Budget. 2024. Page 159.

Analysis

The aim of this evaluation is to assess the effectiveness and efficiency of the two farming tax credits enacted by Minnesota in 2017 to help beginning farmers overcome numerous challenges such as a reduced participation in government programs, and a lack of access to agricultural farmland and credit. One tax incentive is a nonrefundable credit for beginning farmers who participate in a financial management program approved and certified by the Minnesota RFA. As mentioned above, the goal of this tax credit is to improve the farming operation success rate of beginning farmers in Minnesota. The other tax incentive, also non-refundable, aims at incentivizing farmers to sell or lease farmland, equipment, or machinery to beginning farmers.

This analysis assesses the two tax credits separately. Assessing the effectiveness of the Beginning Farmer Management Credit requires comparing the outcomes of two groups of beginning farmers: beginning farmers who received the tax credit and satisfied the financial management education requirement and beginning farmers who did not claim the tax credit. Beneficiaries of the tax credit are identified in tax filing data as recipients of the tax credit. To choose a pool of non-beneficiaries for comparison purposes, the LBO relies on federal Schedule F, which is a supplement to federal tax form 1040 farmers use to report financial profit or loss from farming. Using Schedule F data from Tax Year 2012 to 2024, a control group was constructed of beginning farmers who did not receive the credit. Unfortunately, an important caveat of this approach is that both groups of beginning farmers are not truly randomized due to self-selection. That is, the reasons beginning farmers choose to apply for the tax credit might be correlated with farming operation success, the main outcome of interest.

To assess the effectiveness of the tax credit for the sale of agricultural assets, there are two ways to proceed. As mentioned, this tax credit is meant to incentivize established farmers to sell or lease agricultural assets to beginning farmers. One way to examine the effectiveness of this tax credit might be to analyze the extent to which established farmers ended up selling or leasing agricultural assets to beginning farmers due to the tax credit. Another way to assess this tax credit is to analyze the extent to which beginning farmers who claimed the credit ended up leasing or renting more agricultural assets compared to their counterparts who did not. Due to data limitations on sales and lease transactions of agricultural assets, the LBO proceeds with the second approach, choosing a group of non-beneficiaries based on the federal Schedule F.

Overall, this analysis relies on Schedule F to identify a control groups of farmers to analyze the effectiveness of the two farming tax credits. Importantly, with respect to the outcomes of interest, “successful farming operation rate,” this analysis relies on average net farm income, rent or lease of vehicles (machinery, equipment) and rent or lease of farmland (pasture, animals) as measures of success of the tax credits. The LBO acknowledges there might be other important measures of success that are not included in this analysis.

Descriptive Statistics for Beginning Farmer Management Credit

Figure 3 presents data for all Minnesota tax filers with Schedule F income and federal adjusted gross income (FAGI) under $100,000 from 2012 to 2024, i.e., both credit and non-credit recipients. This sample of taxpayers includes beginning farmers who received the Beginning Farmer Management Credit, beginning farmers who did not receive the credit, and farmers who are not considered beginning farmers but have FAGI of less than $100,000. This sample does not include any beginning farmers who have FAGI over $100,000, whether they claimed the credit or not. DOR is not able to distinguish beginning farmers apart from claims for the credits, so the inclusion of established farmers is a limitation in this data sample.

With respect to Figure 3, the "*Rent or Lease of Vehicles, Machinery, Equipment*" and "*Rent or Lease of Farmland, Pasture, Animals*" columns are also variables from Schedule F. Overall, from 2012 to 2024, the average FAGI for this sample group is $31,575, and the average net farm income is -$6,439. Further, on average, rent or lease of machinery and rent or lease of farmland are, respectively, $7,147 and $35,896. As a point of comparison, the average tax credit for beginning farmers who enrolled in the management course was $1,209, significantly higher than average net farm income of all this sample group.

Figure 3. Average Income of All Minnesota Beginning Farmer Tax Filers with Schedule F Income and FAGI under $100,000, Tax Years 2012-2024

Tax Year	Number of Farmers	Average Federal Adjusted Gross Income	Average Net Farm Income	Rent or Lease of Vehicles, Machinery, Equipment	Rent or Lease of Farmland, Pasture, Animals
2012	52,813	$39,553	$2,083	$5,485	$34,179
2013	48,513	$36,617	-$1,002	$5,354	$34,747
2014	45,214	$34,236	-$3,723	$6,112	$34,738
2015	43,196	$30,232	-$7,164	$5,922	$34,934
2016	41,607	$27,293	-$7,401	$6,174	$34,966
2017	39,701	$25,139	-$8,028	$6,750	$35,101
2018	35,425	$24,439	-$9,501	$7,091	$35,793
2019	33,243	$22,869	-$10,860	$7,257	$37,902
2020	31,419	$22,945	-$6,428	$7,633	$38,796
2021	28,590	$30,808	-$7,250	$7,523	$36,785
2022	9,719	$38,807	-$6,999	$8,885	$35,029
2023	8,990	$39,661	-$7,734	$9,019	$35,963
2024	7,727	$37,877	-$9,693	$9,701	$37,712

Source: Minnesota Department of Revenue Tax Research Division, 2026

Turning to beginning farmers who received the tax credit for the FBM course, Figure 4 displays the same variables found in Figure 3 from 2018 to 2023. Generally, claims tend to be steady during tax years (TY) 2021-2023, with a slight drop from TY2019 to TY2020. From TY2018 to TY2023, there was an average of 287 claims per year resulting in an average tax credit of $1,209 per claimant, totaling an annual average of $346,983 for all claims. The average FAGI and average net income of farmers over the life of the credit were $72,653 and $4,814 respectively. Average net income was negative in 2018 and in 2019. FAGI increased from 2018 to 2023. On average, the tax credit represents about 25% of the net income of claimants. This data sample does only include taxpayers who claimed the Beginning Farmer Management Credit and does not have the same limitations as Figure 3.

Figure 4. Average Income of Beginning Farmer Management Credit Recipients with Schedule F Income, Tax Years 2018-2023

Tax Year	Claimants	Average Federal Adjusted Gross Income	Average Net Farm Income	Average Credit
2018	306	$45,390	-$5,789	$979
2019	393	$54,139	-$6,976	$1,048
2020	356	$67,729	$5,393	$1,240
2021	221	$75,604	$9,412	$1,185
2022	221	$86,564	$16,554	$1,229
2023	222	$106,512	$10,290	$1,871

Source: Minnesota Department of Revenue Tax Research Division, 2026

For reference, non-claimant beginning farmer data is provided in Figure 12 within Appendix B. For non-claimant farmers in Minnesota with Schedule F income and FAGI under $100,000 from 2012 to 2024, the average FAGI and net farm income are, respectively, $31,572 and -$6,489. Further, on average, rent or lease of vehicle (machinery, equipment) and rent or lease of farmland (pasture, animals) are $7,082 and $35,506, respectively. This sample grouping has similar limitations to Figure 3 in that it includes farmers that would not be considered beginning farmers. We cannot say for certain why the credit claiming group has better financial outcomes compared to the non-credit claiming group. Beginning farmers can only claim the Beginning Farmer Management Credit for up to three years so it is likely that some past claimants are now non-claimants and so presumably faced the same education requirements placed on active claimants. Also, it’s important to note that the sample size of the non-claimant group is much larger.

Figure 5 shows the income distribution of claimants for TY2018-TY2024. A total of 677 repeated claimants used this tax incentive. Due to data confidentiality, DOR is unable to provide data for unique claimants so the following analysis is on the aggregate of these repeat claimants. Of those 677 repeat claimants, 59 claimants had a FAGI of less than $0; 247 claimants had a FAGI of less than $50,000; 46 claimants had a FAGI of more than $150,000. During the same period, 44% of repeat claimants had an average income of less than $0.

Figure 5. Income Distribution of Beginning Farmer Management Credit Claimants, Tax Years 2018-2024

Federal Adjusted Gross Income	Unique Claimants	Repeat Claimants	Net Farm Income	Unique Claimants	Repeat Claimants
Less than $0	*	59	**Less than $0**	*	296
Less than $50,000	*	247	**Less than $50,000**	*	325
$50,000-$100,000	*	219	**$50,000-$100,000**	*	37
$100,000-$150,000	*	106	**$100,000-$150,000**	*	*
Over $150,000	*	46	**Over $150,000**	*	*
Total	*	677		*	677

*Fewer than 20 claimants. Added to an adjacent cell or not displayed due to disclosure issues.
Source: Minnesota Department of Revenue Tax Research Division, 2026

Ideal Setting to Measure Effectiveness of Farming Tax Credits

Before proceeding with the empirical approach to examine the effectiveness of the tax credits, it is useful to outline the ideal setting that would allow for a robust statistical analysis. To that end, assume that the Minnesota Department of Agriculture has access to a database containing information for all farmers in Minnesota. Then, the department *randomly* chooses a subset of farmers to receive the tax credit from the set of all eligible farmers. Comparing the outcomes of eligible farmers who received the tax credit through random assignment with eligible farmers who were not so lucky would allow for causal interpretation of the findings because the outcomes of interest would be independent of whether or not farmers receive the tax credit (random assignment). Due to random assignments, non-credit recipients would act as stand-in for what would have happened to the outcomes of credit recipients in the absence of the enactment of the tax credits.

This ideal scenario or setting is obviously not possible: there is no random assignment of tax credit recipients from a pool of eligible farmers. To overcome this challenge, a sensible approach would be for the LBO to randomly select a control group from a set of eligible farmers who would have otherwise received the tax credit if they had applied for it. Alternatively, instead of randomly selecting a control group of farmers for comparison purposes, the LBO could use matching techniques to make the control group as similar to the recipient group as possible based on observable characteristics such as age, gender, race, income of farmers, types of farming activities, and years of experience. For a more robust statistical analysis using econometric methods, the analysis would be strengthened with extensive longitudinal demographic and economic variables from private sources and public sources such as the American Community Survey from the US Census Bureau.

Unfortunately, the above choices for a more robust statistical analysis are not available to the LBO due to lack of data. Therefore, the LBO relies on Schedule F for the selection of a control group for each tax credit. Further, Schedule F alone does not allow the LBO to distinguish between beginning farmers (less than 10 years of experience) and established farmers (more than 10 years of experience). Given that, on average, claimants of the Beginning Farmer Management Credit have a FAGI less than $100,000 and claimants of the Credit for Sale of Agricultural Asset, on average, have a FAGI more than $100,000, the LBO used these thresholds to classify farmers from Schedule F as either beginning farmers or established farmers to conduct the analysis. Of course, there are limitations with such an approach, and throughout the analysis the LBO is as forthcoming as possible with those limitations.

Statistical Analysis of the Beginning Farmer Management Credit and the Credit for Sale of Agricultural Assets

To assess the effectiveness of the Beginning Farmer Management Credit, this analysis compares the profile of credit recipients against non-credit recipients. More specifically, a statistical t-test is performed to assess any significant difference between the two groups of beginning farmers before and after the enactment of the credit with respect to average net farm income. Though the average rent or lease of vehicles (machinery, equipment) and rent or lease of farmland (pasture, animals) could be good indicators of farm success, the LBO analyzed those variables as a proxy for sales and lease of agricultural asset transactions between beginning farmers and asset owners. Figure 6 displays the findings. Assuming that two groups of beginning farmers can be compared, the tax credit appears to make a statistically significant difference for beginning farmers with a FAGI of less than $100,000 (P-value is less than 0.05).

Figure 6. Comparison of Net Farm Income of Beginning Farmer Management Credit Claimants vs Non-Claimants with FAGI less than $100,000

Tax Year	Average Net Farm Income of Claimants (N=175)	Average Net Farm Income of Non-Claimants (N=32,606)	P-value
2012-2017	-$1,571	-$4,218	0.21
2018-2024	-606	-$8,436	<0.001

Source: Minnesota Department of Revenue Tax Research Division, 2026

To assess the effectiveness of the Credit for Sale of Agricultural Assets, this analysis compares the profile of the same two groups of beginning farmers as in the previous analysis with respect to leasing and renting of agricultural assets. Specifically, a statistical t-test is performed for any significant difference between the two groups of beginning farmers with respect to average rent or lease of farmland, pasture, animals and separately average rent or lease of equipment. One underlying assumption of this exercise is that any incentive effect of the tax credit would be reflected in the two variables displayed in Panel A and Panel B of Figure 7. In Panel A, credit claimants appear to rent and lease significantly more farmland (pasture and animals) than non-claimants only after 2017 (P-value less than 0.05). Similarly, in Panel B, claimants appear to rent and lease significantly more farm equipment than non-claimants only after 2017 (P-value less than 0.05). Therefore, assuming that the two groups of beginning farmers are comparable, the tax credit does seem to incentivize the sales of agricultural assets without controlling for other variables. Further, the average rent or lease for farmland and the average rent or lease of equipment doubles from $29,344 to $61,469 and from $7,637 to $13,014, respectively.

Figure 7. Comparison of Rent or Lease Expenses for Beginning Farmer Management Credit Claimants and Non-Claimants with a FAGI of less than $100,000

Panel A: Rent or Lease of Farmland, Pasture and Farm Animals

Tax Year	Average Rent or Lease Expenses of Farmland, Pasture, Animals of Claimants (N=175)	Average Rent or Lease of Farmland, Pasture, Animals of Non-Claimants (N=32,606)	P-value
2012-2017	$29,334	$34,798	0.10
2018-2024	$61,469	$36,113	<0.001

Source: Minnesota Department of Revenue Tax Research Division, 2026

Panel B: Rent or Lease of Equipment, Vehicles or Machinery

Tax Year	Average Rent or Lease of Equipment of Claimants (N=175)	Average Rent or Lease of Equipment of Non-Claimants (N=32,606)	P-value
2012-2017	$7,637	$5,960	0.12
2018-2024	$13,014	$8,044	0.02

Source: Minnesota Department of Revenue Tax Research Division, 2026

The LBO acknowledges several caveats with this statistical analysis. First, the two groups of beginning farmers were not randomly chosen. The choice of claiming the credit may be correlated with average net farm income, thus making the statistical test less reliable. Second, as already mentioned, in 2025, 85% of beginning farmers who participated in the program were emerging farmers (35 or younger, veterans, women, persons with disability, Americans Indian or Alaska Native, member of community of color, LGBTQIA+). DOR is unable to construct a control group with the same distribution of emerging farmers as the distribution of program participants. Third, there are probably other measurable and non-measurable outcomes that might be more reflective of "farming operation success" than average net farm income. For example, continued engagement in farming might be an important indicator of success for beginning farmers.

Therefore, given available data, an alternative way to further explore the effectiveness of the Beginning Farmer Management Credit is to compare the average claim benefits received from the tax credit against the average net farm income of beginning farmers, rent or lease of vehicles (machinery, equipment) and rent or lease of farmland (pasture, animals). From 2012 to 2024, the average net farm income for all farmers with FAGI under $100,000 was -$6,439; for all non-claimant farmers with FAGI under $100,000, -$6,489; for all beginning farmers who later claimed the credit, -$1,080. Overall, the tax credit represents about 25% of the average net income of all claimants, regardless of their FAGI level. To the extent that net farm income is a good barometer of financial health of beginning farmers, the Beginning Farmer Management Credit likely provides meaningful support to beginning farmers in Minnesota. Further, the tax credit represents 11.5% of the value of rent or lease agreements (machinery, equipment) for claimants with an FAGI of $100,000 or less.

Descriptive Statistics for the Credit for Sale of Agricultural Assets

Analysis of the Credit for Sale of Agricultural Assets seeks to help beginning farmers indirectly by incentivizing established farmers to sell or lease agricultural assets to beginning farmers. Therefore, most claimants of this tax credit are established farmers with a FAGI above $100,000. This section is limited to this group of established farmers. Therefore, Figure 8 presents summary statistics for established farmers in Minnesota with a Schedule F Income from 2012 to 2024. At the outset, comparing Figure 8 with Figure 3, as expected, established farmers (more than 10 years of farming experience) have a significantly higher FAGI, net farm income, rent or lease of vehicles (machinery, equipment) and farmland (animals, pasture) than beginning farmers (10 years or fewer of experience). This seems to suggest that longevity might play a role in farming operation success to the extent that these benchmarks track success. Overall, the average FAGI for established farmers is $174,339, with an average net farm income of $9,343 (ranging from a high of $47,675 in 2012 to a low of -$10,320 in 2024). As a point of comparison, the average tax credit for established farmers was $6,792, approximately 73% of the average net farm income of all established farmers in Minnesota.

Figure 8. Average Income of Established Farmers with Schedule F Income and FAGI above $100,000, Tax Years 2012-2024

Tax Year	Number of Farmers	Average Federal Adjusted Gross Income	Average Net Farm Income	Rent or Lease of Vehicles, Machinery, Equipment	Rent or Lease of Farmland, Pasture, Animals
2012	17,788	$244,728	$47,675	$11,539	$83,725
2013	21,399	$190,684	$37,703	$12,770	$85,434
2014	23,838	$191,372	$23,032	$11,940	$83,599
2015	25,417	$171,449	$13,491	$12,074	$81,068
2016	26,317	$163,282	$8,839	$13,544	$78,273
2017	27,195	$153,253	$3,524	$13,375	$76,106
2018	26,894	$167,897	$(2,228)	$14,427	$75,299
2019	27,791	$155,536	$(3,574)	$14,750	$74,869
2020	29,272	$170,787	$1,180	$14,657	$75,538
2021	31,390	$214,996	$2,925	$16,392	$78,972
2022	49,484	$140,056	$1,842	$14,234	$68,334
2023	49,984	$154,660	$(2,632)	$14,156	$71,987
2024	50,482	$147,705	$(10,320)	$14,658	$73,699

Source: Minnesota Department of Revenue Tax Research Division, 2026

Next, Figure 9 displays summary statistics for established farmers who claimed the Credit for Sale of Agricultural Assets from 2018 to 2023. On average, 182 farmers claimed the credit for an average tax credit of $6,792 per claimant, totaling an annual average of slightly more than $1.2 million for all claims. The average FAGI and average net income of farmers over the life of the credit were $227,101 and $11,309, respectively. Average net income was negative in 2018 (-$14,710). FAGI reached a peak in 2021 and then decreased in 2022-2023. On average, the tax credit represents about 60% of the average net income of claimants.

Figure 9. Summary Statistics of the Credit for Sale of Agricultural Assets Claims

Tax Year	Claimants	Average Federal Adjusted Gross Income	Average Net Farm Income	Average Credit
2018	140	$229,649	-$14,710	$6,826
2019	198	$192,197	$14,233	$5,864
2020	209	$211,791	$10,446	$5,342
2021	172	$192,197	$28,853	$5,549
2022	180	$268,808	$10,714	$5,233
2023	193	$267,964	$18,316	$11,938

Source: Minnesota Department of Revenue Tax Research Division, 2026

Prior to 2025, 50% of allocations of the Credit for Sale of Agricultural Assets were to be earmarked for claims involving emerging farmers. The term is defined in statute and further defined by the Commissioner of the Minnesota Department of Agriculture to mean emerging farmers who are 35 years of age or younger, veterans, women, persons with disability, Americans Indian or Alaska Native, member of community of color, LGBTQIA+, and urban (reside or farm in cities with a population over 5,000). Analyzing applications data from the Minnesota Department of Agriculture, in 2025, out of a total of 863 applications, 703 or 81% were entering rental, lease or sale agreements with emerging farmers. Also in 2025, 389 out of a total of 489 beginning farmers who participated in a sale or lease are emerging farmers.[32] In 2024, out of a total of 774 applications, 580 or 75% were for agreements with emerging farmers. Prioritization of beneficiaries has changed from emerging farmers to limited land access farmers. See the glossary for term definitions.

Looking at the income distribution of claimants of the Credit for Sale of Agricultural Assets in Figure 10 for fiscal years 2018-2024, at least a total of 270 farmers claimed the tax credit multiple times. As with the Beginning Farmer Management Credit, DOR is unable to provide data for unique claimants due to confidentiality. Of those 270 of repeated claimants, 9.3% had an income of less than $50,000; about 35% had a FAGI in the $50,000-$150,000 income range, and 55.5% had a FAGI of over $150,000. About 39% of claimants had an average net income of $0 or less.

[32] Rural Finance Authority. Beginning Farmer Tax Credit 2025 Legislative Report. Minnesota Department of Agriculture. February 1, 2026. Page 11

Figure 10. Income Distribution of the Credit for Sale of Agricultural Assets Claims, 2018-2024

Federal Adjusted Gross Income	Unique Claimants	Repeat Claimants	Net Farm Income	Unique Claimants	Repeat Claimants
Less than $0	*	*	**Less than $0**	*	104
Less than $50,000	*	25	**Less than $50,000**	*	99
$50,000-$100,000	*	56	**$50,000-$100,000**	*	29
$100,000-$150,000	*	39	**$100,000-$150,000**	*	*
Over $150,000	*	150	**Over $150,000**	*	33
Total	*	270		*	270

*Fewer than 20 claimants. Observations added to an adjacent cell or not displayed.
Source: Minnesota Department of Revenue Tax Research Division, 2026

Efficiency

The efficiency of a tax expenditure is an overall estimate of the costs at which the tax expenditure achieves its objective. There are two types of costs to consider: indirect costs and direct costs. Indirect costs mainly refer to the economic distortions due to the enactment of the tax expenditure and are therefore difficult to measure. Direct costs, on the other hand, consist primarily of the estimates of forgone revenue as provided by DOR and administrative costs or burden.

With respect to direct costs, the credit allowed for sale or lease of agricultural assets was capped to $6,500,000 for tax year 2023 and $4,000,000 for tax years 2024 and 2025.[33] During the 2026 legislative session, Minnesota passed a bill that temporarily removed the funding cap for this program for tax year 2026.[34] According to the 2025 annual legislative report published by the RFA, 395 credits were issued to asset owners in 2025, totaling to $4,000,000, and averaging $10,127 per credit issued. Requests for the credit exceeded the amount of funds available between 2023 -2025. In 2024 61% of the requested credit amounts were funded and in 2025, that dropped to 48%.[35] In discussions with the RFA, it was expressed that the funding cap results in a loss of efficacy as a bargaining tool if asset owners cannot depend on the availability of funding.

The credit available to reimburse beginning farmers for expenses related to financial management education is limited to $1,500. No cap is specified in statute for this credit. The RFA reported in the program's 2025 annual legislative report that 223 of the 489

[33] Minnesota Statutes 2024, Section 41B.0391, Subdivision 4(c).
[34] Minnesota Session Law 2026 Chapter 128, Article 2, Sections 6 and 7.
[35] Rural Finance Authority. Beginning Farmer Tax Credit 2025 Legislative Report. Minnesota Department of Agriculture. February 1, 2026. Page 5.

beginning farmers registered with the RFA received a credit. Credits issued to beginning farmers totaled $253,691 in 2025, with an average credit amount of $1,138.

Administrative Burden for Recipients

The administrative burden of claiming the Beginning Farmer Management Credit, reimbursing a taxpayer for the costs of attending a farm business management course, is considerable. To claim the credit, the taxpayer must determine eligibility based on the definition of a beginning farmer provided in Minnesota Statutes 2025, section 41B.0391, subdivision 1(c). Then a three-page application must be submitted to RFA along with a tuition receipt. RFA will then issue a tax credit certificate. The corresponding tax credit certificate number is required when filing Schedule M1C as a supplement to the M1 form for individual income tax filers. Four separate supporting documents must be transacted to claim the credit. However, calculating the credit amount is straightforward, simply the cost to attend the required course, up to $1,500 per year for three years.

The administrative burden of claiming the Credit for Sale of Agricultural Assets is similar to the Beginning Farmer Management Credit. In particular, there are three supporting documents needed to certify eligibility and to supplement the M1 form for individual income tax filers. For this credit, there is the added complexity of determining the correct credit rate to apply to the sale or rental total. An application must be submitted each year for either credit. Considering the average value of both credits, it would seem to be worth the time and effort required to complete the required applications and administrative procedure to receive either credit.

Administrative Burden for the Rural Finance Authority

The Minnesota Department of Agriculture’s RFA administers both the Beginning Farmer Management Credit and the Credit for Sale of Agricultural Assets. Overall, RFA estimates that supporting these programs requires roughly 0.6 FTE, or 1,248 hours of staff time from the agency in total. When connecting with RFA administration, it was shared that processing and coordinating Asset Owner applications with DOR requires roughly 0.3 FTE (624 hours) and 0.2 FTE (416 hours) to process Beginning Farmer certification applications. RFA also conducts outreach, evaluation, and legislative work to support the program, which requires roughly 0.1 FTE (208 hours) of administrative effort.

Administrative Burden for the Minnesota Department of Revenue

DOR expressed having minimal effort in the coordination with these two credits as the RFA is responsible for determining eligibility and issuing credit certificates. Tax return filings claiming either credit are reviewed against the issued certificate. More returns are reviewed manually in comparison to other credit claims or deduction claims. DOR estimates roughly 62 hours or 3% of FTE processing the Beginning Farmer Management Credit and 62 hours processing returns and issuing refunds for claims for the Credit for Sale of Agricultural Assets, as part of the M1 income tax return.

Beginning Farmer Incentives in Other States

Other States with Beginning Farmer Incentives

Similar tax incentive programs were identified across other states including Iowa, Kentucky, Missouri, Nebraska, Ohio, and Pennsylvania, offering useful points of comparison for evaluating Minnesota's tax credit. While the goals of easing land access is consistent across programs, the policy tools and implementation strategies vary considerably. For instance, Minnesota's Beginning Farmer Management Credit provides a nonrefundable tax credit to asset owners. In contrast, Nebraska has adopted a refundable credit structure, allowing beneficiaries to receive the full value of the credit regardless of their tax liability. Alternatively, Missouri opted to design their incentives as deductions from capital gains and from taxable income rather than a credit to tax liability. Few states have included a credit provision for the beginning farmer in addition to the incentive for asset owners. Figure 11 provides a breakdown of current beginning farmer tax incentive programs across states highlighting differences in policy design.

Figure 11. Tax Incentives in Other States

Incentive Details	Minnesota	Iowa	Kentucky	Missouri	Nebraska	Ohio	Pennsylvania
Incentive Type	Credit on income tax	Credit on income tax	Credit on income tax	Deduction from capital gains	Credit on income tax	Credit on income tax	Credit on income tax
Initial Award Year	2017	2007	2019	2023	1999	2022	2019
Ending Year	2030	NA	2031	NA	NA	2028	NA
Carryforward	15 years	10 years	5 years	No	No	7 years	No
Tax Credit Program Cap	$4 million[36]	$12 million	$1.5 million[37]	NA	$2 million	$10 million	$6 million
Incentive Amount to Asset Owner	5% of sale price; 10% of cash rent agreements; 15% of crop share agreements	5% of cash rent agreement; 15% of crop share agreement	5% of the selling price of a qualifying agricultural asset	100% on first $2 million in sales, reducing thereafter; total income received on lease or rental	10% of cash rent agreements; 15% of crop share agreements	3.99% of sale price; 3.99% of rental income; 3.99% of share-rental agreement	5% of sale price; 10% of gross lease income

[36] The state of Minnesota has a $4 million tax credit program cap. On May 27th, 2026, the MN legislature temporarily removed the funding cap for 2026 claims only.
[37] The Kentucky Selling Farmer Tax Credit is capped at $1.5 million in the first sixth months of a fiscal year, with ability to use unawarded balances from the Kentucky Small Business Tax Credit in the second half of a fiscal year.

Incentive Details	Minnesota	Iowa	Kentucky	Missouri	Nebraska	Ohio	Pennsylvania
Tax Credit Limit:	Up to $50,000 of sale price (one-time); up to $7,000 for lease agreements; Up to $10,000 for crop share agreements	Up to $50,000 per lease agreement	$50,000 annual cap and $200,000 lifetime cap for sales to beginning farmers	No cap on sales; up to $25,000 for lease or rentals	None	None	Up to $32,000 of sale price (one-time); Up to $7,000 for lease agreements per year
Refundability	No	No	No	NA	Yes	No	No
Additional Benefits to Beginning Farmers:	Cost of a financial business management course up to $1,500 a year for 3 years	NA	NA	NA	One-time income tax credit up to $500 for approved business course; Personal property tax exemption up to $100,000 over 3 years	Non-refundable tax credit for the cost of a financial management program	NA

Source: Iowa Department of Revenue Beginning Farmer Tax Credit Evaluation Study (2025); Kentucky Revised Statutes Chapter 154, Subchapter 60-040; Revised Statutes of Missouri Chapter 143, Section 121, Subdivision 10. Ohio Department of Agriculture Beginning Farmer Tax Credit Program; Pennsylvania Department of Community and Economic Development Beginning Farmer Tax Credit Program.

Other State Evaluations

Evaluations of beginning farmer tax incentive programs were found for Colorado, Iowa, and Nebraska. Colorado's tax incentive expired in 2019 and was later repealed from statute in 2023. Iowa and Nebraska still operate a beginning farmer tax incentive. Programs vary in terms of incentive design, beneficiaries, participation rates, and program longevity. Based on evaluation results of the two longest running programs, Iowa and Nebraska, it is unclear whether the programs directly resulted in increased land ownership by the beginning farmer population.

Colorado

In 2016, Colorado enacted an income tax deduction for landowners who leased their land to beginning farmers, as defined by Colorado statute. The deduction was equal to 20% of lease payments received by the asset owner up to $25,000 per year for three years. The purpose of the deduction was stated in statute to be an incentive for aging farmers or ranchers to lease their agricultural assets to beginning farmers or ranchers in order to give the beginners a chance to get started in the industry.[38]

The deduction was evaluated in 2018 by the Colorado Office of the State Auditor. The evaluation found that in the first year of operation, the credit was not claimed by any taxpayers. The evaluation suggested it may have been too early to state whether the credit was achieving its purpose as no taxpayers claimed the credit in the first year despite communication efforts of the administrating agency, Colorado Agricultural Development Authority (CADA).[39] The deduction was allowed to sunset and later repealed, and Colorado now offers a beginning farmer loan program. This loan program is facilitated by CADA and the issuance of bonds to lenders. Interest paid by borrowers are tax exempt which is meant to encourage lenders to offer interest rates that are more competitive than commercial rates.[40] The program has issued 430 loans and related bonds totaling $76,291,655 as of December 31, 2025.[41]

Iowa

In 2007, Iowa enacted a beginning farmer tax credit to asset owners engaged in rental or lease agreement for land, depreciable equipment or machinery, and livestock. Agreements must last two to five years and can be renewed in two-year increments. The credit is equal to five percent for cash payment or flex lease agreements or 15 percent for crop share agreements. This program does not have a credit component for the beginning farmer, only the asset owner. Credit certificates have been issued at

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[38] Colorado Office of the State Auditor. Agricultural Lease Deduction Evaluation Summary. September 2018. https://content.leg.colorado.gov/agencies/office-state-auditor/income-tax-evaluations
[39] Colorado Office of the State Auditor. Agricultural Lease Deduction Evaluation Summary.
[40] Colorado Agricultural Development Authority. Beginning Farmer Loan Program. 2026. https://cadafarmloan.com/
[41] Colorado Agricultural Development Authority. Financial Statements, December 31, 2025. Page 10. Accessed August 7, 2026. Available at https://cadafarmloan.com/wp-content/uploads/2026/03/2025-Financial-Statement.pdf.

increasing rates since the start of the program, totaling 17,310 between 2007 and 2024. The value of these credits issued is $91.6 million.[42]

A 2020 study of the program found that the participation was associated with higher farming retention rates and more established farmers when compared to non-participants. Between 2009 to 2019, the participant group of the study had a retention rate that was ten percentage points higher than the comparison group. Average farm income net profits increased for program participants over the same time span. This was a statistically significant finding supporting the finding that participants were more established farmers. [43]

In 2025, the Beginning Farmer Tax Credit was compared to two separate Iowa tax expenditures available to retiring agricultural asset owners that lease or sell agricultural assets. The two programs include a lifetime exclusion of eligible farm rental income and a one-time deduction of capital gains of farm assets from Iowa income taxation. A retiring farmer must choose between the two separate programs and cannot benefit from both. Once an option is chosen, it cannot be changed. Based on average benefits of the beginning farmer tax credit and the lifetime retired farmer lease exclusion for tax year 2023 and partial tax year 2024, the evaluation suggests an incentive to transition from the beginning farmer tax credit to the lifetime exclusion in retirement. Further, the benefit of the one-time capital gains tax deduction outweighs the benefit of the beginning farmer tax credit.[44]

Nebraska

Nebraska has had a Beginning Farmer Tax Credit since 1999. The tax credit applies to lease agreements of equipment and farmland equal to 10 or 15 percent of the lease amount for cash rent or share rent agreements, respectively. The credit is issued to asset owners. Additionally, beginning farmers are provided a personal property tax exemption on up to $100,000 of valuation for three years and a refundable credit, up to $500, to reimburse them for costs incurred to complete a financial management education program.[45]

A 2025 evaluation of the credit found that 176 of the 335 beginning farmers participating between 2014 through 2021, were agricultural landowners in 2025. Twenty of the 176 farmers were reported to own at least a portion of the same land they rented, while 159 owned land that was not the same land that they leased while participating in the

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[42] Estelle Montgomery. Beginning Farmer Tax Credit Program - Tax Credit Evaluation Study. Research and Policy Division Iowa Department of Revenue. December 2025. Pages 7-8. https://revenue.iowa.gov/media/4334/download?inline

[43] Estelle Montgomery. Beginning Farmer Tax Credit Program – Tax Credits Program Evaluation Study. Research and Policy Division Iowa Department of Revenue. December 2020. Page 32

[44] Estelle Montgomery. Beginning Farmer Tax Credit Program - Tax Credit Evaluation Study. 2025. Page 9.

[45] Nebraska Legislative Audit Office. Nebraska Beginning Farmer Tax Credit Act: Performance on Selected Metrics. Performance Audit Committee. June 2025. Page i https://nebraskalegislature.gov/pdf/reports/audit/2025_beginning_farmer_audit_report.pdf

program.[46] The evaluation is careful to state that there is no causal relationship implied between program participation and land ownership. The evaluation recognizes that participating beginning farmers may have owned land prior to participating in the program or could have gained land ownership by other means apart from the program, such as through inheritance.

Potential Modifications

This evaluation presents three potential modifications to the Credit for Sale of Agricultural Assets for the commission to consider. One potential modification is a change to funding caps, second is a prioritization of regions where agricultural land consolidation is of concern, and third is a repeal of the first-come, first-serve basis that the program must operate under to allow RFA flexibility to adapt to industry needs.

As has already been described, the number of requests for this credit has exceeded the available funding for program years 2023 through 2025, most significantly in the last two years. The RFA communicated that a serious concern of applicants is the dependability of their request being approved and a credit certificate being issued based on availability of funds. The legislature responded to exceeding demand by temporarily removing the funding cap of this credit for 2026. Extending the elimination of the funding cap is one potential modification to consider. If agricultural asset owners can be certain that their eligible transaction will result in the issuance of a credit then participation in the program may be more appealing to them than current levels.

A variation of this modification is to eliminate the cap only for agreements that involve a sale of land or asset and continue the cap for agreements of leases or rentals. The logic behind this alternative is that the sale of land to beginning farmers is prioritized over the continued ownership of land by retired or retiring farmers. This could have the effect of encouraging more sale transactions, granted this does not account for financial resources needed by beginning farmers to pursue a land purchase.

Another potential modification to consider is implementing a regional prioritization to target regions across the state that have high demand for the program and also have higher levels of agricultural land consolidation. The 2022 Census of Agriculture provides a count of farms and farm acreage between 2017 and 2022 by Minnesota counties. That data can be used to understand which counties across the state are experiencing a consolidation of farms (less farms but larger average acreage), or a general reduction of farms due to rural development. That data can be overlayed with credit application data to understand what areas of the state have high demand for the credit and also face farm consolidation.

The RFA is required by statute to administer the Credit for Sale of Agricultural Assets on a first-come, first-served basis. A potential modification to consider is to repeal that

[46] Nebraska Legislative Audit Office. Nebraska Beginning Farmer Tax Credit Act: Performance on Selected Metrics. Page 23.

statutory requirement 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. For example, the RFA may find that certain counties benefit from the program at lower frequencies than other counties with comparable agricultural economies and so may choose to allocate more credit funds to those lower frequency counties to create parity. This is only one example and there are many other variables the RFA may choose to prioritize to best meet the needs of the state.

Conclusion

The agricultural landscape for beginning farmers in Minnesota is challenging. For example, beginning farmers participate in government programs at lower rates than established farmers do and lack access to credit, farmland, markets, and technology. To help beginning farmers overcome some of these challenges, in 2017 Minnesota enacted two tax credits. First, the Beginning Farmer Management Credit encourages beginning farmers to participate in a farm business management course to facilitate the learning process of how to successfully manage a farm. Second, the Credit for Sale of Agricultural Assets seeks to incentivize farmers to sell or lease agricultural assets to beginning farmers.

Using application data from the Minnesota RFA and tax credit claims data from the Minnesota DOR from 2012 to 2024, the LBO found that the Beginning Farming Management Credit is positively associated with an increase in net income of beginning farmers with a FAGI less than $100,000. The Credit for Sale of Agricultural Assets shows a similar positive association for the lease or rent of equipment and lease or rent of farmland of beginning farmers with a FAGI less than $100,000. Analyzing the relative size of the two tax credits, the LBO concludes that the two tax credits represent 25% and 60% of net income of beginning farmers and established farmers, respectively.

With respect to the administrative burden of the two tax credits, the process to claim either credit can be administratively burdensome considering the application process, the required supporting documentation, and the timing component of the first-come first-serve convention of the credit.

Appendix A. Other Statutory Components of Review

Minnesota Statutes 2025, section 3.8855, subdivision 5 outline components of review required when conducting a tax expenditure evaluation. Although the following components did not impact the overall findings of this evaluation, they are presented below for completeness.

Comparing the effectiveness of the tax expenditure and a direct expenditure

Direct payment alternatives at the state level are limited to the Beginning Farmer Equipment and Infrastructure Grant program administered by the Minnesota Department of Agriculture. Awards are made up to $10,000 to reimburse grantees for equipment costs or infrastructure investments. Grantees are reimbursed at 100% for grants requested under $2,000 and at 75% for grants requested between $2,000 to $10,000. The agency expects to award between 70 to 95 awards for the 2026/2027 fiscal year, totaling approximately $700,000.[47]

Direct payment programs at the federal level include income support programs, price support programs, conservation programs, insurance coverage assistance, disaster relief, marketing support, among other programs. These are all support programs available directly to farmers through the Farm Service Agency.[48] It is estimated that in 2025, over 56,445 Minnesotans received over $1.9 billion through these various support programs.[49] This includes the estimates under the Transition Incentives Program that were described earlier. An assessment of effectiveness was not conducted as publicly available data is limited for these various programs with respect to the number of beneficiaries that would be beginning farmers and these programs are not necessarily intended to increase access to land or equipment. The reason for including these programs and estimates is simply to convey the volume of direct payment programs available at the federal level.

[47] Minnesota Department of Agriculture. Beginning Farmer Equipment and Infrastructure Grant. Accessed on August 12, 2026. Available at https://www.mda.state.mn.us/beginning-farmer-grant
[48] Farm Service Agency. Resources. U.S. Department of Agriculture. Accessed on July 28, 2026. https://www.fsa.usda.gov/resources/programs?assistance_type%5B0%5D=12
[49] Farm Service Agency. 2025 State Freedom of Information Act Payment File: state la-mn.foia.na.pmt25.finaldt25365. accessed on July 28, 2026.

Revenue Neutral Rate

As published by the DOR in the 2024 Tax Expenditure Budget, if the Beginning Farmer Management Credit were repealed, the change in income tax rate would be negligible. A repeal of the Credit for Sale of Agricultural Assets could reduce each income tax rate by 0.003 percentage points, to 5.347%, 6.797%, 7.847%, and 9.847%.[50]

Tax Incidence

In accordance with Minnesota Statutes 2025, section 3.8855, only significant tax expenditures require incidence reporting and analysis. Significant tax expenditures are defined in section 270C.11, subdivision 6, as income or sales tax provisions that reduce revenue by at least $10 million per biennium, excluding federal provisions and business tax credits. Neither the Beginning Farmer Management Credit nor the Credit for Sale of Agricultural Assets meet this criteria and as such no incidence analysis was performed or referenced in this analysis.

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[50] Department of Revenue. 2024 Tax Expenditure Budget. 2024. Page 103.

Appendix B. Average Income of Non-Claimant Beginning Farmers

Figure 12. Average Income of Non-Claimant Beginning Farmers with Schedule F Income and FAGI under $100,000, Tax Years 2012-2024

Tax Year	Count	Average Minnesota Federal Adjusted Income	Average Net Farm Income	Rent or Lease of Vehicles, Machinery, Equipment	Rent or Lease of Farmland, Pasture, Animals
2012	52,714	$39,575	$2,081	$5,481	$34,216
2013	48,388	$36,655	$(999)	$5,352	$34,785
2014	45,063	$34,265	$(3,734)	$6,096	$34,780
2015	43,017	$30,249	$(7,181)	$5,925	$34,972
2016	41,413	$27,309	$(7,424)	$6,151	$34,936
2017	39,487	$25,143	$(8,051)	$6,754	$35,097
2018	35,194	$24,408	$(9,547)	$7,067	$35,687
2019	33,000	$22,826	$(10,898)	$7,235	$37,717
2020	31,181	$22,880	$(6,481)	$7,590	$38,406
2021	28,360	$30,721	$(7,345)	$7,410	$36,304
2022	9,571	$38,779	$(7,182)	$8,744	$33,840
2023	8,866	$39,745	$(7,826)	$8,910	$34,624
2024	7,622	$37,879	$(9,770)	$9,354	$36,216

Source: Minnesota Department of Revenue Tax Research Division, 2026

Appendix C. Glossary

Agricultural Assets: Agricultural land, livestock, facilities, building, and machinery used for farming in Minnesota[51]

Asset Owners: The individual, trust, LLC, partnership, S-Corp, or other qualified pass-through entity that owns the agricultural asset that is being sold or leased to the beginning farmer

Beginning Farmer:

- Minnesota resident who is seeking entry, or has entered farming within the last 10 years (10 or fewer years of farming experience)
- Has a net worth that does not exceed the limit provided under section 41B.03, subdivision 3, paragraph (a), clause (2).[52] The 2026 limit is $1,069,000[53]

Emerging Farmers: Farmers or aspiring farmers who represent the following communities: women, veterans, persons with disabilities, American Indian or Alaskan Natives, members of a community of color, young, LGBTQIA+, or urban, and any other emerging farmers as determined by the commissioner[54]

Established Farmer: Farmers who have been in business longer than 10 years. Generally, face fewer overall limitations than beginning farmers in terms of access to resources, capital, and overall farming success

Federal Adjusted Gross Income: Total gross income from all sources minus certain adjustments such as retirement contributions, student loan interest, certain business expenses, among others. See federal form 1040 Schedule 1 supplement for a full list of allowable deductions.[55]

Net Farm Income: The difference between gross farm income and total farm expenses as reported on the federal form 1040 Schedule F supplement.

Limited Land Access Farmer: Farming without ownership of land and:

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[51] Minnesota Statutes 2025, section 41B.0391, subdivision 1.
[52] Ibid
[53] Minnesota Statutes 2025, section 41B.03, subdivision 3; Minnesota Department of Agriculture. Beginning Farmer Loan Program. Available at https://www.mda.state.mn.us/business-dev-loans-grants/beginning-farmer-loan-program.
[54] Minnesota Statutes 2025, section 17.055, subdivision 1.
[55] Internal Revenue Service. Definition of Adjusted Gross Income. Accessed on August 7, 2026. Available at https://www.irs.gov/e-file-providers/definition-of-adjusted-gross-income

- Farmer who rents or leases land with the term of each rental or lease agreement not exceeding three years in duration from a person who is not related to the farmer who is renting or leasing the land
- The farmer rents the land from an incubator farm[56]

Share Rent Agreement: A rental agreement in which the principal consideration given to the owner of agricultural assets is a predetermined portion of the production of farm products produced from the rented agricultural assets and which provides for sharing production costs or risk of loss, or both.[57]

[56] Minnesota Statutes 2025, section 17.133, subdivision 1.
[57] Minnesota Statutes 2025, section 41B.0391, subdivision 1.