

# AGRICULTURAL LAW

# Fact Sheet



PennState Law

Center for Agricultural  
and Shale Law

February 2020

CASL Publication No. FS20-001

## Pennsylvania's Beginning Farmer Tax Credit

On July 2, 2019, Pennsylvania Governor Tom Wolf signed into law amendments to the Pennsylvania Tax Code creating the **Beginning Farmer Tax Credit**. This new program allows the seller or lessor of agricultural land, equipment, buildings and livestock to a qualified "beginning farmer" to apply for and receive tax credits against the seller or lessor's Pennsylvania income tax obligations in the year of the sale or lease.

- **10 Year program, totaling \$59 million:** The program is authorized for ten (10) tax years, from 2020 through and including 2029, initially for \$5 million in total tax credits in 2020 and \$6 million total for each year thereafter. Any unused balance in a tax year shall be carried forward and does not lapse. Legislative authorization will be needed to continue the program after December 31, 2029.
- **Beginning Farmer:** To qualify, a farmer must: (a) have farming income in no more than the ten most recent tax years; (b) possess demonstrated experience or transferable skill; (c) intend to provide the majority of labor and management; (d) show that farming will be a "significant source of income."
- **Seller/Lessor:** To qualify, a landowner must: (a) own the real or personal property; (b) not be a spouse of the beginning farmer; (c) not be (i) an entity in which the beginning farmer or his/her spouse possesses an interest or is a trustee or (iii) a dealer or in a similar business that is not primarily engaged in farming.

### How Does it Work?

1. Both the seller/lessor and the beginning farmer must apply to the Pennsylvania Department of Community and Economic Development (DCED) for the transaction to be certified and approved to generate the tax credit.
  - DCED can certify a beginning farmer before any sale or lease negotiation.
  - DCED certification is good for three years and re-certification is available upon re-application.
  - One beginning farmer can enter into multiple tax credit-generating transactions.
2. DCED works with the Pennsylvania Department of Revenue (DOR) to issue the tax credit to the seller/lessor.
  - Seller/lessor must be current on all state tax obligations for the year and transaction in question.
  - The tax credits are not transferable, not refundable and cannot be carried forward to a subsequent tax year.
3. The amount of the tax credit is as follows:
  - If a sale: 5% of the sale price or FMV, whichever is less, up to maximum of \$32,000.
  - If a lease: 10% of annual gross rent in first 3 years of a lease, up to a maximum of \$7,000 per year.



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### CENTER MISSION AND BACKGROUND

The Center for Agricultural and Shale Law conducts research and educational programs to serve a wide variety of stakeholders including agricultural producers, landowners, mineral interest and royalty owners, business professionals, judges, attorneys, legislators, government officials, community groups, and the general public. Center programs are funded in part by the Commonwealth of Pennsylvania through the Pennsylvania Department of Agriculture. The Center for Agricultural and Shale Law is a partner of the National Agricultural Law Center (NALC) at the University of Arkansas System Division of Agriculture, which serves as the nation's leading source of agricultural and food law research and information. This material is provided as part of that partnership and is based upon work supported by the National Agricultural Library, Agricultural Research Service, U.S. Department of Agriculture. This publication is available in alternative media upon request. Penn State is committed to affirmative action, equal opportunity, and the diversity of its workforce. [U.Ed. PSL 19-54](#).

