

Nebraska Beginning Farmer Tax Credit Act: Performance on Selected Metrics



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Nebraska's Beginning Farmer Tax Credit Program

The Nebraska Beginning Farmer Tax Credit Act was enacted in 1999 to provide assistance to individuals seeking to enter farming to ensure that smaller farming entities remained a robust part of the state's economy. The program encourages beginning farmers to rent from current farmers/asset owners.

An asset owner who leases land, equipment, facilities, or livestock to a qualified beginning farmer receives a 10%-15% refundable tax credit on the value of the lease for up to three years. A qualified beginning farmer can receive a property tax exemption for up to three years, a one-time refundable tax credit for the reimbursement of a required financial management program, and access to the leased assets. Asset owners receive more tax credits than beginning farmers because credits related to leases are larger than those of the financial management program reimbursement or personal property tax.

Program Participation

Since the beginning of the Beginning Farmer program, almost **\$19.7 million** in credits have been issued to asset owners. Although credits allocated per year have never reached the \$2 million cap, the program has consistently awarded over \$1 million in recent years. **In 2022 and 2023, more than \$1.5 million was awarded each year.**

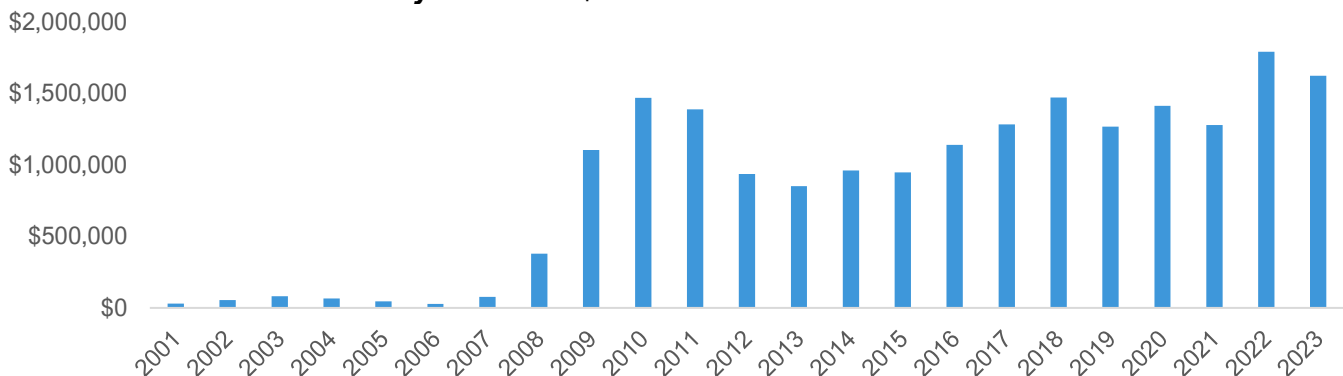
Report Finding

Current Beginning Farmer program practices may not be sufficient for 1) ensuring that participants are aware of their responsibilities, 2) informing the agency/Beginning Farmer Board of the current status of lease agreements, and 3) informing the agency/Beginning Farmer Board of changes in the qualification status of beginning farmers related to continued participation and property tax exemptions. This introduces some risk that the program could provide benefits outside of statutory intent.

Committee Recommendation

The Department of Agriculture should contact participants in active cases prior to the Beginning Farmer Board's annual case review to 1) remind all participants of their responsibilities under the Act and Rules and Regulations and 2) to ascertain information necessary for the Board to make informed judgements while performing their duties under Neb. Rev. Stat. § 77-5213.

Claimed credits have consistently exceeded \$1 million since 2016.



Source: Audit Office analysis of Department of Agriculture data.

From 2018 to 2023, just over \$8.8 million in program credits were allocated for 292 cases, resulting in an average tax credit of \$25,631 per case. More than half of all cases were allocated between \$5,000 and \$25,000; two awards were over \$500,000.

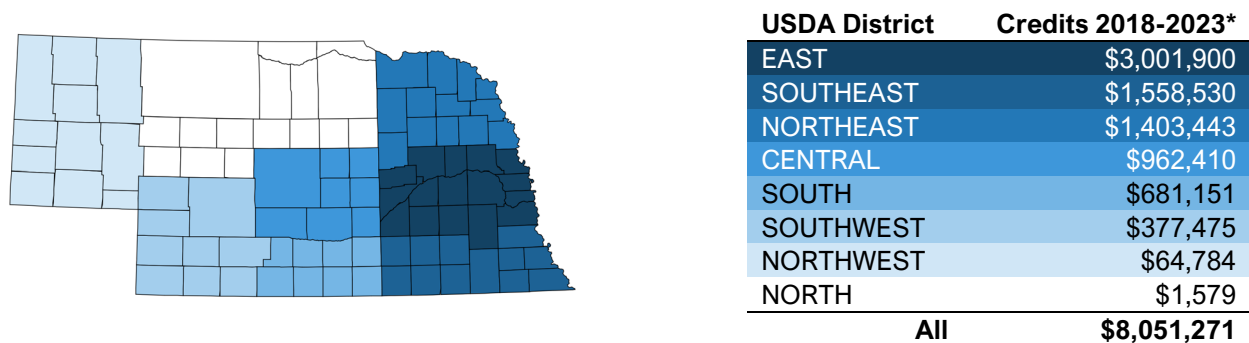
More than half of all cases received between \$5,000 and \$25,000 in credits.

Credit Amount	Number of Cases 2018-2023*	Percentage of Total
\$0-\$1K	1	<1%
\$1K-\$5K	26	9%
\$5K-\$10K	63	22%
\$10K-\$25K	110	38%
\$25K-\$50K	54	18%
\$50K-\$100K	25	9%
\$100K-\$500K	11	4%
\$500K+	2	1%

Source: Audit Office analysis of Department of Agriculture data.
*Only includes cases that received credits.

The U.S. Department of Agriculture divides Nebraska into eight districts for statistical analysis. Using these districts, the eastern most regions account for roughly \$6 million of the just over \$8 million program credits received by Nebraskans.

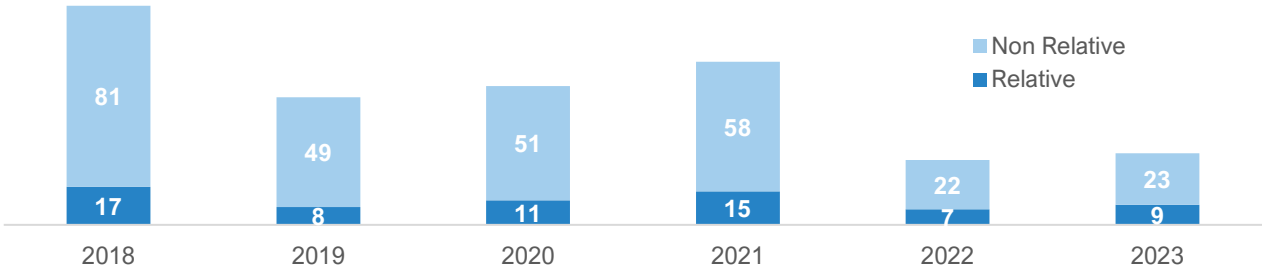
Almost 75% of credits awarded to Nebraska residents went to counties in eastern agricultural districts.



Source: Audit Office analysis of Department of Agriculture information.
*Only includes those credits awarded to Nebraska asset owners.

Cases where an asset owner was related to a beginning farmer accounted for a greater portion of total cases each year since 2019 despite a general decrease in total cases per year.

While total cases have generally declined since 2018, the portion of cases that were between relatives has increased.



Source: Audit Office analysis of Department of Agriculture data.

Additional Metrics Reviewed in Report

- Preventing Conversion
- Transferring Land to Beginning Farmers
- Preventing Consolidation
- Distressed Areas Activity
- Impact on Budgets of Local Governments
- Cost to Administer
- Fiscal Protections