



House of Representatives

File No. 790

General Assembly

January Session, 2015

(Reprint of File No. 105)

House Bill No. 6375
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
May 8, 2015

AN ACT ESTABLISHING A VETERANS TO AGRICULTURE PROGRAM.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (63) of section 12-412 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective from*
3 *passage*):

4 (63) (A) Sales of and the storage, use or other consumption of
5 tangible personal property exclusively for use in agricultural
6 production, as defined in this subsection, by a farmer engaged in
7 agricultural production as a trade or business and to whom the
8 Department of Revenue Services has issued a farmer tax exemption
9 permit, provided such farmer's gross income from such agricultural
10 production, as reported for federal income tax purposes, shall have
11 been (i) not less than two thousand five hundred dollars for the
12 immediately preceding taxable year, or (ii) on average, not less than
13 two thousand five hundred dollars for the two immediately preceding
14 taxable years.

15 (B) The Commissioner of Revenue Services shall adopt regulations
16 in accordance with chapter 54 requiring periodic registration for
17 purposes of the issuance of farmer tax exemption permits, including (i)
18 a procedure related to the application for such permit, such application
19 to include a declaration, prescribed as to form by the Commissioner of
20 Revenue Services and bearing notice to the effect that false statements
21 made in such declaration are punishable, to be signed by the applicant,
22 and (ii) a form of notice concerning the penalty for misuse of such
23 permit.

24 (C) As used in this subsection, (i) "agricultural production" means
25 engaging, as a trade or business, in (I) the raising and harvesting of
26 any agricultural or horticultural commodity, (II) dairy farming, (III)
27 forestry, (IV) the raising, feeding, caring for, shearing, training or
28 management of livestock, including horses, bees, poultry, fur-bearing
29 animals or wildlife or (V) the raising and harvesting of fish, oysters,
30 clams, mussels or other molluscan shellfish; and (ii) "farmer" means
31 any person engaged in agricultural production as a trade or business.

32 (D) The Department of Revenue Services may issue a farmer tax
33 exemption permit to a farmer, notwithstanding the fact that, in the
34 farmer's immediately preceding taxable year, such farmer's gross
35 income from agricultural production engaged in as a trade or business
36 may have been less than two thousand five hundred dollars, provided
37 (i) such farmer purchased, during such farmer's current or
38 immediately preceding taxable year, an agricultural trade or business
39 from a seller who was issued a farmer tax exemption permit by such
40 department at the time of such purchase and [(ii)] such agricultural
41 production shall be carried on as a trade or business by such purchaser
42 during the period commencing upon the purchase and ending two
43 years after the date of purchase. Such purchaser shall be liable for the
44 tax otherwise imposed, during the period commencing upon such
45 purchase and ending two years after the date of purchase, if such
46 agricultural production is not carried on as a trade or business by such
47 purchaser during the period commencing upon such purchase and
48 ending two years after the date of purchase; or (ii) such farmer is a

49 veteran, as defined in section 27-103, who has never owned or leased
50 property for the purpose of commercial agricultural production or
51 who has owned or leased property for the purpose of commercial
52 agricultural production for less than two years. Such veteran farmer
53 shall be liable for the tax otherwise imposed, during the period
54 commencing upon issuance of a farmer tax exemption permit pursuant
55 to this subparagraph and ending two years after the date of such
56 issuance, if such agricultural production is not carried on as a trade or
57 business by such veteran farmer during the period commencing upon
58 such issuance and ending two years after the date of such issuance.

59 (E) (i) The Department of Revenue Services, under such regulations
60 as the Commissioner of Revenue Services may adopt in accordance
61 with the provisions of chapter 54, may issue a farmer tax exemption
62 permit to an applicant, provided such applicant has satisfied the
63 commissioner that the applicant intends to carry on agricultural
64 production as a trade or business for at least two years,
65 notwithstanding the fact that the applicant was not engaged in
66 agricultural production as a trade or business in the immediately
67 preceding taxable year or, if the applicant was engaged in agricultural
68 production as a trade or business in the immediately preceding taxable
69 year, notwithstanding the fact that the applicant's gross income from
70 such agricultural production, as reported for federal income tax
71 purposes, was less than two thousand five hundred dollars for the
72 immediately preceding taxable year or, on average, less than two
73 thousand five hundred dollars for the two immediately preceding
74 taxable years.

75 (ii) Such applicant shall be liable for the tax imposed under this
76 chapter during the period commencing upon the issuance of the
77 permit and ending two years after the date of issuance of the permit if
78 agricultural production is not carried on as a trade or business by such
79 applicant during such entire period.

80 (iii) Such applicant shall also be liable for the tax otherwise
81 imposed, during the period commencing upon the issuance of the

82 permit and ending two years after the date of issuance of the permit, if
83 (I) such applicant's gross income from such agricultural production, as
84 reported for federal income tax purposes, is less than two thousand
85 five hundred dollars for the immediately preceding taxable year or, on
86 average, less than two thousand five hundred dollars for the two
87 immediately preceding taxable years, and (II) such applicant's
88 expenses from such agricultural production, as reported for federal
89 income tax purposes, are less than two thousand five hundred dollars
90 for the immediately preceding taxable year or, on average, less than
91 two thousand five hundred dollars for the two immediately preceding
92 taxable years.

93 (iv) Any applicant liable for tax under clause (ii) or (iii) of this
94 subparagraph shall not be eligible to be issued another permit under
95 clause (i) of this subparagraph.

96 Sec. 2. Section 22-26l of the general statutes is repealed and the
97 following is substituted in lieu thereof (*Effective from passage*):

98 (a) The Department of Agriculture shall establish and administer a
99 Connecticut Farm Link program to establish a database of farmers and
100 agricultural land owners who intend to sell their farm operations or
101 agricultural land. The database shall be maintained by the Department
102 of Agriculture and shall be made available to the public on the
103 department's web site. Persons interested in starting an agricultural
104 business or persons interested in expanding a current agricultural
105 business may notify the department and have their names, contact
106 information and intentions regarding such businesses placed on the
107 web site. The department shall make reasonable efforts to facilitate
108 contact between parties with similar interests, including, but not
109 limited to, growing and processing crops as feedstock for biodiesel
110 heating and transportation fuels. The Department of Agriculture may
111 collaborate with the Department of Veterans' Affairs, The University of
112 Connecticut Cooperative Extension Service and the Labor Department
113 to encourage and assist veterans in starting or expanding an
114 agricultural business and to provide education and training

115 opportunities to veterans concerning farming or agricultural
116 operations.

117 (b) The Department of Agriculture shall post educational materials
118 regarding the Connecticut Farm Link program on the department's
119 web site, including, but not limited to, information regarding farm
120 transfer and farm succession planning, family farm estate planning,
121 farm transfer strategies, farm leasing, formation of farm partnerships,
122 growing and processing crops as feedstock for biodiesel heating and
123 transportation fuels and information regarding starting a farm
124 business.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	12-412(63)
Sec. 2	<i>from passage</i>	22-26l

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 16 \$	FY 17 \$
Department of Revenue Services	GF - Potential Revenue Loss	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill results in a potential revenue loss by extending a sales tax exemption on items used in agricultural production to veterans who never, or for less than two years, owned or leased property for the purpose of commercial agriculture production.

The actual revenue loss is dependent upon the number of start-up farmers who would otherwise not qualify for the exemption under current law. Under current law, a veteran (and any non-veteran start-up farmer) would qualify for the exemption if he or she carries on agricultural production as a trade or business for at least two years and meets the income and expense requirements outlined in statute. The number of start-up farmers who will qualify for the exemption as a result of the bill is unknown. But it is anticipated that each exemption permitted would result in a state revenue loss of \$1,500 on average per start-up farmer per year.

House "A" alters the original bill by providing the sales tax exemption for veterans who never, or for less than two years, owned or leased property for the purpose of commercial agriculture production. This reduces the revenue loss to the bill to the extent that certain veteran farmers are ineligible for the sales tax exemption as a

result of the amendment.

The remaining provisions of House "A" which (1) allow, rather than require, the Department of Agriculture (DAG) to encourage and assist veterans in starting or expanding an agricultural business and (2) require the University Cooperative Extension Service to collaborate with DAG on this effort have no impact. The agencies can accomplish this within existing resources.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation. The revenue loss would also be contingent upon the number of qualifying farmers.

OLR Bill Analysis**HB 6375 (as amended by House "A")*****AN ACT ESTABLISHING A VETERANS TO AGRICULTURE PROGRAM.****SUMMARY:**

This bill creates incentives for certain veterans to become farmers. It applies to veterans who have never owned or leased property for commercial agricultural production or who have owned or leased property for commercial agricultural production for less than two years. It does this by extending an exemption from the sales and use tax on personal property sold for use in agricultural production to such veterans.

The bill also allows the Agriculture Department (DoAG) to collaborate with the Labor and Veterans' Affairs departments and UConn Cooperative Extension Service to (1) encourage and help veterans start or expand an agricultural business and (2) provide education and training opportunities to veterans in farming and agricultural operations. By law, DoAG, under the Connecticut Farm Link program, must maintain a database of farmers and land owners who intend to sell their farm operations or agricultural land and provide certain educational information about the program on its website (see BACKGROUND).

By law, a "veteran" is an individual honorably discharged or released from active service in the U.S. Armed Forces or their reserve components, including the Connecticut National Guard performing duty under Title 32 of federal law (e.g., certain Homeland Security missions).

*House Amendment "A" (1) allows, rather than requires, DoAG to

collaborate to help veterans; (2) adds the UConn Cooperative Extension Service as an entity with which DoAG may collaborate; and (3) changes the criteria for program participation. The original bill applied to veterans who have never engaged in agriculture or did so for less than two years.

EFFECTIVE DATE: Upon passage

FARMERS TAX EXEMPTION

State law grants farmers engaged in agricultural production (see BACKGROUND) as a trade or business an exemption from the sales and use tax for tangible personal property they use or otherwise consume exclusively for this purpose. In general, to qualify, a farmer must have gross income from agricultural production during the preceding tax year of at least \$2,500, or an average of at least \$2,500 over the preceding two tax years, as reported for federal income tax purposes.

Existing law authorizes the Department of Revenue Services (DRS) to waive this income requirement for someone who purchases an agricultural trade or business from a seller holding a valid farmer tax exemption permit. The exemption is valid for two years after the purchase. A person with an exemption permit under these circumstances who does not work in agricultural production for two years after the purchase is liable for the tax otherwise imposed.

The bill extends the waiver to include veterans who have never owned or leased property for commercial agricultural production or who have owned or leased property for this purpose for less than two years, subject to the same terms that apply under current law to other purchasers. The veteran is liable for the tax otherwise imposed during the two years after obtaining an exemption permit if he or she does not carry on agricultural production as a trade or business during this period.

By law, any applicant may be eligible for a farmer tax exemption

permit if the applicant establishes, to the DRS commissioner's satisfaction, that he or she intends to carry on agricultural production as a trade or business for at least two years (Conn. Agencies Reg. § 12-412(63)-1). If a person issued the permit under this condition does not work in agricultural production for two years after the permit is issued, or does not earn and spend more than \$2,500 in the preceding year or on average over the preceding two years, he or she must pay the tax. If the person must pay under either of these conditions, he or she is ineligible for another income-requirement-waived farmer tax exemption permit.

BACKGROUND

Agricultural Production

Under the law, "agricultural production" means engaging, as a trade or business, in:

1. raising and harvesting any agricultural or horticultural commodity;
2. dairy farming;
3. forestry;
4. raising, feeding, caring for, shearing, training or management of livestock, including horses, bees, poultry, fur-bearing animals, or wildlife; or
5. raising and harvesting of fish, oysters, clams, mussels, or other molluscan shellfish.

Farm Link Program

The law requires the DoAG to establish, administer, and maintain a database of farmers and agricultural land owners who intend to sell their farm operations or agricultural land. People interested in starting or expanding an agricultural business may authorize the department to enter their names, contact information, and business intentions into the database. The department must make reasonable efforts to link

people with similar interests. It must also post educational materials about the program on its website. The material must include information about farm transfer and succession planning, family farm estate planning, farm transfer strategies, farm leasing, forming farm partnerships, and starting a farm business.

COMMITTEE ACTION

Veterans' Affairs Committee

Joint Favorable

Yea 14 Nay 0 (03/05/2015)

Environment Committee

Joint Favorable

Yea 23 Nay 2 (04/07/2015)