



General Assembly

February Session, 2024

**Substitute Bill No. 5492**



**AN ACT ESTABLISHING A FARM INVESTMENT TAX CREDIT AND CONCERNING THE THRESHOLD FOR CERTAIN OPTIONAL FARM-RELATED PROPERTY TAX EXEMPTIONS.**

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

1 Section 1. (NEW) (*Effective January 1, 2025, and applicable to income and*  
2 *taxable years commencing on or after January 1, 2025*) (a) As used in this  
3 section:

4 (1) "Eligible farmer" means a taxpayer in this state whose federal  
5 gross income from farming for the income or taxable year is at least two-  
6 thirds of excess federal gross income;

7 (2) "Excess federal gross income" means the amount of federal gross  
8 income from all sources for the income or taxable year in excess of thirty  
9 thousand dollars;

10 (3) "Agricultural production" has the same meaning as provided in  
11 subdivision (63) of section 12-412 of the general statutes;

12 (4) "Farm investment property" means machinery and equipment  
13 that are acquired by purchase by an eligible farmer on or after January  
14 1, 2025, and buildings and structural components of buildings that are  
15 acquired, constructed, reconstructed or erected by an eligible farmer  
16 and placed in service on or after January 1, 2025, and (A) are situated in  
17 this state, (B) have a class life of more than four years, as described in

18 Section 168(e) of the Internal Revenue Code of 1986, or any subsequent  
19 corresponding internal revenue code of the United States, as amended  
20 from time to time, (C) are acquired by an eligible farmer from a person  
21 other than a related person, (D) are not acquired to be leased, and are  
22 not leased, to another person or persons during the twelve full months  
23 following their acquisition or placement in service, and (E) will be held  
24 and used in this state by the eligible farmer in the ordinary course of  
25 agricultural production for not less than five full years following the  
26 date of acquisition of such machinery and equipment or the date of  
27 placement in service of such buildings;

28 (5) "Related person" means (A) a corporation, limited liability  
29 company, partnership, association or trust controlled by the taxpayer,  
30 (B) an individual, corporation, limited liability company, partnership,  
31 association or trust that is in control of the taxpayer, (C) a corporation,  
32 limited liability company, partnership, association or trust controlled by  
33 an individual, corporation, limited liability company, partnership,  
34 association or trust that is in control of the taxpayer, or (D) a member of  
35 the same controlled group as the taxpayer; and

36 (6) "Control" means (A) with respect to a corporation, ownership,  
37 directly or indirectly, of stock possessing fifty per cent or more of the  
38 total combined voting power of all classes of the stock of such  
39 corporation entitled to vote, or (B) with respect to a trust, ownership,  
40 directly or indirectly, of fifty per cent or more of the beneficial interest  
41 in the principal or income of such trust. The ownership of stock in a  
42 corporation, of a capital or profits interest in a partnership or association  
43 or of a beneficial interest in a trust shall be determined in accordance  
44 with the rules for constructive ownership of stock provided in Section  
45 267(c) of the Internal Revenue Code of 1986, or any subsequent  
46 corresponding internal revenue code of the United States, as amended  
47 from time to time, other than paragraph (3) of said section.

48 (b) A taxpayer, in determining income eligibility for purposes of this  
49 section, may use for any income or taxable year the average of the  
50 taxpayer's federal gross income from farming for such income or taxable

51 year and the two consecutive income or taxable years immediately  
52 preceding.

53 (c) (1) There shall be allowed a credit against the tax imposed under  
54 chapter 208 or 229 of the general statutes, other than the liability  
55 imposed by section 12-707 of the general statutes, of twenty per cent of  
56 the amount paid or incurred during an income or a taxable year for farm  
57 investment property by a taxpayer that is an eligible farmer.

58 (2) If the taxpayer is an S corporation or an entity treated as a  
59 partnership for federal income tax purposes, the credit may be claimed  
60 by the taxpayer's shareholders or partners. If the taxpayer is a single  
61 member limited liability company that is disregarded as an entity  
62 separate from its owner, the credit may be claimed by such limited  
63 liability company's owner, provided such owner is subject to the tax  
64 imposed under chapter 208 or 229 of the general statutes.

65 (3) If the amount of the credit allowed pursuant to this section  
66 exceeds the taxpayer's liability for the tax imposed under chapter 208 or  
67 229 of the general statutes, the Commissioner of Revenue Services shall  
68 treat such excess as an overpayment and, except as provided in section  
69 12-739 or 12-742 of the general statutes, shall refund the amount of such  
70 excess, without interest, to such taxpayer.

71 (4) No taxpayer claiming the credit under this section with respect to  
72 the acquisition of farm investment property may claim a credit against  
73 any tax under any other provision of the general statutes with respect to  
74 the same acquisition.

75 (d) If the farm investment property for which a taxpayer has claimed  
76 the credit allowed under this section is not held and used in this state in  
77 the ordinary course of agricultural production in this state for three full  
78 years following its acquisition, the taxpayer shall recapture one  
79 hundred per cent of the amount of the credit allowed under this section  
80 on its tax return required to be filed for the income or taxable year  
81 immediately succeeding the income or taxable year during which such  
82 three-year period expires. If the farm investment property for which a

83 taxpayer has claimed the credit allowed under this section is not held  
84 and used in this state in the ordinary course of agricultural production  
85 in this state for five full years following its acquisition, the taxpayer shall  
86 recapture fifty per cent of the amount of the credit allowed under this  
87 section on its tax return required to be filed for the income or taxable  
88 year immediately succeeding the income or taxable year during which  
89 such five-year period expires. The provisions of this subsection shall not  
90 apply if the property that is the subject of the credit under this section is  
91 replaced. If any amount of credit required to be recaptured has not been  
92 paid to the commissioner on or before the first day of the fourth month  
93 next succeeding the end of the income year immediately succeeding the  
94 income year during which the three-year or five-year period, as the case  
95 may be, expires, such amount shall bear interest at the rate of one per  
96 cent per month or fraction thereof from such date to the date of  
97 payment.

98 Sec. 2. Section 12-91 of the general statutes is repealed and the  
99 following is substituted in lieu thereof (*Effective from passage*):

100 (a) All farm machinery, except motor vehicles, as defined in section  
101 14-1, to the assessed value of one hundred thousand dollars, any horse  
102 or pony which is actually and exclusively used in farming, as defined in  
103 section 1-1, when owned and kept in this state by, or when held in trust  
104 for, any farmer or group of farmers operating as a unit, a partnership or  
105 a corporation, a majority of the stock of which corporation is held by  
106 members of a family actively engaged in farm operations, shall be  
107 exempt from local property taxation; provided each such farmer,  
108 whether operating individually or as one of a group, partnership or  
109 corporation, shall qualify for such exemption in accordance with the  
110 standards set forth in subsection (d) of this section for the assessment  
111 year for which such exemption is sought. Only one such exemption shall  
112 be allowed to each such farmer, group of farmers, partnership or  
113 corporation. Subdivision (38) of section 12-81 shall not apply to any  
114 person, group, partnership or corporation receiving the exemption  
115 provided for in this subsection.

116 (b) Any municipality, upon approval by its legislative body, may  
117 provide an additional exemption from property tax for such machinery  
118 to the extent of an additional assessed value of [one hundred] two  
119 hundred fifty thousand dollars. Any such exemption shall be subject to  
120 the same limitations as the exemption provided under subsection (a) of  
121 this section and the application and qualification process provided in  
122 subsection (d) of this section.

123 (c) Any municipality, upon approval by its legislative body, may  
124 provide an exemption from property tax for any building used actually  
125 and exclusively in farming, as defined in section 1-1, or for any building  
126 used to provide housing for seasonal employees of such farmer. The  
127 municipality shall establish the amount of such exemption from the  
128 assessed value, provided such amount may not exceed [one] five  
129 hundred thousand dollars with respect to each eligible building. Such  
130 exemption shall not apply to the residence of such farmer and shall be  
131 subject to the application and qualification process provided in  
132 subsection (d) of this section.

133 (d) Annually, on or before the first day of November or the extended  
134 filing date granted by the assessor pursuant to section 12-42, each such  
135 individual farmer, group of farmers, partnership or corporation shall  
136 make written application for the exemption provided for in subsection  
137 (a) of this section to the assessor or board of assessors in the town in  
138 which such farm is located, including therewith a notarized affidavit  
139 certifying that such farmer, individually or as part of a group,  
140 partnership or corporation, derived at least fifteen thousand dollars in  
141 gross sales from such farming operation, or incurred at least fifteen  
142 thousand dollars in expenses related to such farming operation, with  
143 respect to the most recently completed taxable year of such farmer prior  
144 to the commencement of the assessment year for which such application  
145 is made, on forms to be prescribed by the Commissioner of Agriculture.  
146 Failure to file such application in said manner and form on or before the  
147 first day of November shall be considered a waiver of the right to such  
148 exemption for the assessment year. Any person aggrieved by any action  
149 of the assessors shall have the same rights and remedies for appeal and

150 relief as are provided in the general statutes for taxpayers claiming to be  
151 aggrieved by the doings of the assessors or board of assessment appeals.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>January 1, 2025, and applicable to income and taxable years commencing on or after January 1, 2025</i>	New section
Sec. 2	<i>from passage</i>	12-91

**Statement of Legislative Commissioners:**  
In Section 1(a)(4)(B), ", in years," was deleted to eliminate redundancy.

**FIN**      *Joint Favorable Subst. -LCO*