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MEMORANDUM

TO: Members of the Appropriations and Revenue Committee

FROM: Jennifer C. Hays, Committee Staff Administrator
Appropriations and Revenue Committee

DATE: November 1, 2023

SUBJECT: Staff Summary
Selling Farmers Tax Credit
Taxable Years Beginning on or after January 1, 2022

The purpose of this memorandum is to relay summary information to members of the Interim Joint Committee on Appropriations and Revenue related to the income tax credit available for selling farmers. The purpose of the Selling Farmer Tax Credit Program is to promote the continued use of agricultural land in Kentucky for farming purposes by granting a tax credit to a selling farmer who agrees to sell agricultural assets to a beginning farmer. [KRS 154.60-040]

The tax credit may equal up to five percent (5%) of the selling price of qualifying agricultural assets, subject to a \$25,000 cap for each taxable year of the selling farmer; a \$100,000 lifetime cap for each selling farmers; and a proration by the Kentucky Economic Development Finance Authority based on the overall cap shared between the Small Business Tax Credit Program and the Selling Farmer Tax Credit Program of \$3 million.

The Selling Farmer Tax Credit Program was enacted during the 2019 Regular Session of the Kentucky General Assembly. Tax credits have been claimed by selling farmers in 10 separate counties, primarily in central and western Kentucky. In taxable year 2020, 5 selling farmers claimed a total of \$59,992 in tax credit. In 2021, 5 selling farmers claimed a total of \$46,732 in tax credit. In 2022, 3 selling farmers claimed a total of \$40,232 in tax credit. Seventeen total returns have been processed which claim this tax credit. Only 3 of those tax returns reported adjusted gross incomes of less than \$100,000. The highest adjusted gross income reported on a return claiming this tax credit exceeded \$635,000.