

**First Regular Session
Seventieth General Assembly
STATE OF COLORADO**

PREAMENDED

*This Unofficial Version Includes Committee
Amendments Not Yet Adopted on Second Reading*

LLS NO. 15-0656.01 Esther van Mourik x4215

HOUSE BILL 15-1234

HOUSE SPONSORSHIP

Mitsch Bush,

SENATE SPONSORSHIP

Sonnenberg,

House Committees

Agriculture, Livestock, & Natural Resources
Finance

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING A TEMPORARY INCOME TAX DEDUCTION FOR A PORTION**
102 **OF LEASE PAYMENTS RECEIVED BY A QUALIFIED TAXPAYER FOR**
103 **LEASING THE TAXPAYER'S AGRICULTURAL ASSET TO AN**
104 **ELIGIBLE BEGINNING FARMER OR RANCHER.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)

The bill allows an income tax deduction for specified income tax years if a qualified taxpayer enters into a qualified lease with an eligible beginning farmer or rancher, in an amount specified in a deduction

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
*Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.*

certificate issued by the Colorado agricultural development authority that is equal to 20% of the lease payments received from the eligible beginning farmer or rancher as specified in the qualified lease, not to exceed a specified amount per income tax year, for a maximum of 3 income tax years.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1. Legislative declaration.** (1) The general assembly
3 hereby finds and declares that:

4 (a) The state is seeing a continued trend of aging farmers and
5 ranchers;

6 (b) The current average age of a family farm or ranch operator in
7 Colorado is fifty-nine;

8 (c) There is a national and local focus on the benefits of local
9 foods, and at the same time a new generation of farmer is emerging, but
10 the beginning farmers or ranchers are having trouble finding land to lease;
11 and

12 (d) The income tax deduction in this section is intended to be an
13 incentive for our aging farmers or ranchers to lease their agricultural
14 assets to beginning farmers or ranchers in order to give the beginners a
15 chance to get started in the industry.

16 **SECTION 2.** In Colorado Revised Statutes, 39-22-104, **add** (4)
17 (u) as follows:

18 **39-22-104. Income tax imposed on individuals, estates, and**
19 **trusts - single rate - definitions - repeal.** (4) There shall be subtracted
20 from federal taxable income:

21 (u) (I) FOR INCOME TAX YEARS BEGINNING ON OR AFTER JANUARY
22 1, 2016, BUT BEFORE JANUARY 1, 2021, IF A QUALIFIED TAXPAYER ENTERS
23 INTO A QUALIFIED LEASE WITH AN ELIGIBLE BEGINNING FARMER OR

1 RANCHER, AN AMOUNT SPECIFIED IN A DEDUCTION CERTIFICATE ISSUED BY
2 THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY THAT IS
3 EQUAL TO TWENTY PERCENT OF THE LEASE PAYMENTS RECEIVED FROM AN
4 ELIGIBLE BEGINNING FARMER OR RANCHER AS SPECIFIED IN THE QUALIFIED
5 LEASE, NOT TO EXCEED THE QUALIFIED TAXPAYER'S INCOME AND NOT TO
6 EXCEED THE AMOUNT SPECIFIED IN SUBPARAGRAPH (II) OF THIS
7 PARAGRAPH (u).

8 (II) THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY
9 MAY ISSUE MORE THAN ONE DEDUCTION CERTIFICATE FOR EACH
10 QUALIFIED TAXPAYER IF SUCH QUALIFIED TAXPAYER ENTERS INTO MORE
11 THAN ONE QUALIFIED LEASE WITH MORE THAN ONE ELIGIBLE BEGINNING
12 FARMER OR RANCHER; EXCEPT THAT THE TOTAL AMOUNT SPECIFIED IN ALL
13 DEDUCTION CERTIFICATES ISSUED TO A QUALIFIED TAXPAYER MAY NOT
14 EXCEED TWENTY-FIVE THOUSAND DOLLARS PER INCOME TAX YEAR FOR A
15 MAXIMUM OF THREE INCOME TAX YEARS.

16 (III) FOR PURPOSES OF THIS PARAGRAPH (u):

17 (A) "AGRICULTURAL ASSET" MEANS LAND, CROPS, LIVESTOCK AND
18 LIVESTOCK FACILITIES, FARM EQUIPMENT AND MACHINERY, GRAIN
19 STORAGE, OR IRRIGATION EQUIPMENT.

20 (B) "COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY"
21 MEANS THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY
22 CREATED IN SECTION 35-75-104, C.R.S.

23 (C) "DEDUCTION CERTIFICATE" MEANS A CERTIFICATE ISSUED BY
24 THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY CERTIFYING
25 THAT A QUALIFIED TAXPAYER QUALIFIES FOR THE INCOME TAX DEDUCTION
26 AUTHORIZED IN THIS SECTION AND SPECIFYING THE AMOUNT OF THE
27 DEDUCTION ALLOWED.

1 (D) "ELIGIBLE BEGINNING FARMER OR RANCHER" MEANS A
2 FARMER OR RANCHER RESIDING IN THE STATE WHO HAS A NET WORTH OF
3 LESS THAN TWO MILLION DOLLARS, WILL PROVIDE THE MAJORITY OF THE
4 DAILY PHYSICAL LABOR AND MANAGEMENT ON THE QUALIFIED
5 TAXPAYER'S AGRICULTURAL ASSET OR WILL USE THE QUALIFIED
6 TAXPAYER'S AGRICULTURAL ASSET THE MAJORITY OF THE TIME, HAS
7 PLANS TO FARM OR RANCH FULL-TIME, HAS NOT BEEN ENGAGED IN
8 FARMING OR RANCHING FOR MORE THAN TEN YEARS, HAS FARMING OR
9 RANCHING EXPERIENCE OR EDUCATION, AND HAS PARTICIPATED IN A
10 FINANCIAL MANAGEMENT EDUCATIONAL PROGRAM APPROVED BY THE
11 COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY.

12 (E) "QUALIFIED LEASE" MEANS A LEASE ENTERED INTO BETWEEN
13 A QUALIFIED TAXPAYER AND AN ELIGIBLE BEGINNING FARMER OR
14 RANCHER FOR THE QUALIFIED TAXPAYER'S AGRICULTURAL ASSET THAT IS
15 APPROVED BY THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY
16 AND HAS A DURATION OF AT LEAST THREE YEARS.

17 (F) "QUALIFIED TAXPAYER" MEANS A TAXPAYER, INCLUDING A
18 PARTNERSHIP, S CORPORATION, OR OTHER SIMILAR PASS-THROUGH
19 ENTITY, WHO OWNS AN AGRICULTURAL ASSET LOCATED IN THE STATE.

20 (IV) TO CLAIM THE DEDUCTION ALLOWED IN THIS PARAGRAPH (u),
21 THE QUALIFIED TAXPAYER SHALL ATTACH A COPY OF THE DEDUCTION
22 CERTIFICATE ISSUED BY THE COLORADO AGRICULTURAL DEVELOPMENT
23 AUTHORITY TO THE TAXPAYER'S RETURN. NO TAX DEDUCTION IS ALLOWED
24 UNDER THIS PARAGRAPH (u) UNLESS THE TAXPAYER PROVIDES THE COPY
25 OF THE DEDUCTION CERTIFICATE.

26 (V) THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY
27 SHALL, IN A SUFFICIENTLY TIMELY MANNER TO ALLOW THE DEPARTMENT

1 OF REVENUE TO PROCESS RETURNS CLAIMING THE DEDUCTION ALLOWED
2 BY THIS SECTION, PROVIDE THE DEPARTMENT OF REVENUE WITH AN
3 ELECTRONIC REPORT OF THE QUALIFIED TAXPAYERS RECEIVING A
4 DEDUCTION CERTIFICATE AS ALLOWED IN THIS SECTION FOR THE
5 PRECEDING CALENDAR YEAR THAT INCLUDES THE FOLLOWING
6 INFORMATION:

- 7 (A) THE QUALIFIED TAXPAYER'S NAME;
- 8 (B) THE QUALIFIED TAXPAYER'S SOCIAL SECURITY NUMBER; AND
- 9 (C) THE AMOUNT OF THE DEDUCTION ALLOWED IN THIS SECTION.

10 (VI) THIS PARAGRAPH (u) IS REPEALED, EFFECTIVE DECEMBER 31,
11 2024.

12 **SECTION 3.** In Colorado Revised Statutes, 39-22-304, **add** (3)
13 (o) as follows:

14 **39-22-304. Net income of corporation - definitions - repeal.**

15 (3) There shall be subtracted from federal taxable income:

16 (o) (I) FOR INCOME TAX YEARS BEGINNING ON OR AFTER JANUARY
17 1, 2016, BUT BEFORE JANUARY 1, 2021, IF A QUALIFIED TAXPAYER ENTERS
18 INTO A QUALIFIED LEASE WITH AN ELIGIBLE BEGINNING FARMER OR
19 RANCHER, AN AMOUNT SPECIFIED IN A DEDUCTION CERTIFICATE ISSUED BY
20 THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY THAT IS
21 EQUAL TO TWENTY PERCENT OF THE LEASE PAYMENTS RECEIVED FROM AN
22 ELIGIBLE BEGINNING FARMER OR RANCHER AS SPECIFIED IN THE QUALIFIED
23 LEASE, NOT TO EXCEED THE AMOUNT SPECIFIED IN SUBPARAGRAPH (II) OF
24 THIS PARAGRAPH (o).

25 (II) THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY
26 MAY ISSUE MORE THAN ONE DEDUCTION CERTIFICATE FOR EACH
27 QUALIFIED TAXPAYER IF SUCH QUALIFIED TAXPAYER ENTERS INTO MORE

1 THAN ONE QUALIFIED LEASE WITH MORE THAN ONE ELIGIBLE BEGINNING
2 FARMER OR RANCHER; EXCEPT THAT THE TOTAL AMOUNT SPECIFIED IN ALL
3 DEDUCTION CERTIFICATES ISSUED TO A QUALIFIED TAXPAYER MAY NOT
4 EXCEED TWENTY-FIVE THOUSAND DOLLARS PER INCOME TAX YEAR FOR A
5 MAXIMUM OF THREE INCOME TAX YEARS.

6 (III) FOR PURPOSES OF THIS PARAGRAPH (o):

7 (A) "AGRICULTURAL ASSET" MEANS LAND, CROPS, LIVESTOCK AND
8 LIVESTOCK FACILITIES, FARM EQUIPMENT AND MACHINERY, GRAIN
9 STORAGE, OR IRRIGATION EQUIPMENT.

10 (B) "COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY"
11 MEANS THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY
12 CREATED IN SECTION 35-75-104, C.R.S.

13 (C) "DEDUCTION CERTIFICATE" MEANS A CERTIFICATE ISSUED BY
14 THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY CERTIFYING
15 THAT A QUALIFIED TAXPAYER QUALIFIES FOR THE INCOME TAX DEDUCTION
16 AUTHORIZED IN THIS SECTION AND SPECIFYING THE AMOUNT OF THE
17 DEDUCTION ALLOWED.

18 (D) "ELIGIBLE BEGINNING FARMER OR RANCHER" MEANS A
19 FARMER OR RANCHER RESIDING IN THE STATE WHO HAS A NET WORTH OF
20 LESS THAN TWO MILLION DOLLARS, WILL PROVIDE THE MAJORITY OF THE
21 DAILY PHYSICAL LABOR AND MANAGEMENT ON THE QUALIFIED
22 TAXPAYER'S AGRICULTURAL ASSET OR WILL USE THE QUALIFIED
23 TAXPAYER'S AGRICULTURAL ASSET THE MAJORITY OF THE TIME, HAS
24 PLANS TO FARM OR RANCH FULL-TIME, HAS NOT BEEN ENGAGED IN
25 FARMING OR RANCHING FOR MORE THAN TEN YEARS, HAS FARMING OR
26 RANCHING EXPERIENCE OR EDUCATION, AND HAS PARTICIPATED IN A
27 FINANCIAL MANAGEMENT EDUCATIONAL PROGRAM APPROVED BY THE

1 COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY.

2 (E) "QUALIFIED LEASE" MEANS A LEASE ENTERED INTO BETWEEN
3 A QUALIFIED TAXPAYER AND AN ELIGIBLE BEGINNING FARMER OR
4 RANCHER FOR THE QUALIFIED TAXPAYER'S AGRICULTURAL ASSET THAT IS
5 APPROVED BY THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY
6 AND HAS A DURATION OF AT LEAST THREE YEARS.

7 (F) "QUALIFIED TAXPAYER" MEANS A TAXPAYER WHO OWNS AN
8 AGRICULTURAL ASSET LOCATED IN THE STATE.

9 (IV) TO CLAIM THE DEDUCTION ALLOWED IN THIS PARAGRAPH (o),
10 THE QUALIFIED TAXPAYER SHALL ATTACH A COPY OF THE DEDUCTION
11 CERTIFICATE ISSUED BY THE COLORADO AGRICULTURAL DEVELOPMENT
12 AUTHORITY TO THE TAXPAYER'S RETURN. NO TAX DEDUCTION IS ALLOWED
13 UNDER THIS PARAGRAPH (o) UNLESS THE TAXPAYER PROVIDES THE COPY
14 OF THE DEDUCTION CERTIFICATE.

15 (V) NO LATER THAN NOVEMBER 1, 2016, AND NO LATER THAN
16 NOVEMBER 1 OF EACH YEAR THEREAFTER THROUGH NOVEMBER 1, 2020,
17 THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY SHALL
18 PROVIDE THE DEPARTMENT OF REVENUE WITH AN ELECTRONIC REPORT OF
19 THE QUALIFIED TAXPAYERS RECEIVING A DEDUCTION CERTIFICATE AS
20 ALLOWED IN THIS SECTION FOR THE PRECEDING CALENDAR YEAR THAT
21 INCLUDES THE FOLLOWING INFORMATION:

22 (A) THE QUALIFIED TAXPAYER'S NAME;

23 (B) THE QUALIFIED TAXPAYER'S COLORADO ACCOUNT NUMBER;

24 AND

25 (C) THE AMOUNT OF THE DEDUCTION ALLOWED IN THIS SECTION.

26 (VI) THIS PARAGRAPH (o) IS REPEALED, EFFECTIVE DECEMBER 31,
27 2024.

1 **SECTION 4.** In Colorado Revised Statutes, 35-75-107, **add** (1)
2 (u) as follows:

3 **35-75-107. General powers and duties of authority.** (1) In
4 addition to any other powers specifically granted to the authority in this
5 article, the authority has the following powers:

6 (u) TO RECEIVE APPLICATIONS AND ISSUE DEDUCTION
7 CERTIFICATES FOR THE INCOME TAX DEDUCTION FOR A PORTION OF LEASE
8 PAYMENTS RECEIVED BY A QUALIFIED TAXPAYER FOR LEASING THE
9 TAXPAYER'S AGRICULTURAL ASSET TO AN ELIGIBLE BEGINNING FARMER
10 OR RANCHER AS ALLOWED IN SECTIONS 39-22-104 AND 39-22-304, C.R.S.

11 **SECTION 5. Act subject to petition - effective date.** This act
12 takes effect at 12:01 a.m. on the day following the expiration of the
13 ninety-day period after final adjournment of the general assembly
14 (August 5, 2015, if adjournment sine die is on May 6, 2015); except that,
15 if a referendum petition is filed pursuant to section 1 (3) of article V of
16 the state constitution against this act or an item, section, or part of this act
17 within such period, then the act, item, section, or part will not take effect
18 unless approved by the people at the general election to be held in
19 November 2016 and, in such case, will take effect on the date of the
20 official declaration of the vote thereon by the governor.