

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

ENGROSSED

*This Version Includes All Amendments Adopted
on Second Reading in the House of Introduction*

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
Appropriations

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.

HOUSE
Amended 2nd Reading
April 20, 2015

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
3 **SECTION 1.** In Colorado Revised Statutes, 39-22-104, **add** (4)

4 (u) as follows:

5 **39-22-104. Income tax imposed on individuals, estates, and**
6 **trusts - single rate - definitions - repeal.** (4) There shall be subtracted
7 from federal taxable income:

8 (u) (I) THE GENERAL ASSEMBLY HEREBY FINDS AND DECLARES
9 THAT:

10 (A) THE STATE IS SEEING A CONTINUED TREND OF AGING FARMERS
11 AND RANCHERS;

12 (B) THE CURRENT AVERAGE AGE OF A FAMILY FARM OR RANCH
13 OPERATOR IN COLORADO IS FIFTY-NINE;

14 (C) THERE IS A NATIONAL AND LOCAL FOCUS ON THE BENEFITS OF
15 LOCAL FOODS, AND AT THE SAME TIME A NEW GENERATION OF FARMER IS
16 EMERGING, BUT THE BEGINNING FARMERS OR RANCHERS ARE HAVING
17 TROUBLE FINDING LAND TO LEASE; AND

18 (D) THE INCOME TAX DEDUCTION ALLOWED IN THIS PARAGRAPH
19 (u) IS INTENDED TO BE AN INCENTIVE FOR AGING FARMERS OR RANCHERS
20 TO LEASE THEIR AGRICULTURAL ASSETS TO BEGINNING FARMERS OR
21 RANCHERS IN ORDER TO GIVE THE BEGINNERS A CHANCE TO GET STARTED
22 IN THE INDUSTRY.

23 (II) FOR INCOME TAX YEARS BEGINNING ON OR AFTER JANUARY 1,

1 2016, BUT BEFORE JANUARY 1, 2019, IF A QUALIFIED TAXPAYER ENTERS
2 INTO A QUALIFIED LEASE WITH AN ELIGIBLE BEGINNING FARMER OR
3 RANCHER, AN AMOUNT SPECIFIED IN A DEDUCTION CERTIFICATE ISSUED BY
4 THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY THAT IS EQUAL
5 TO TWENTY PERCENT OF THE LEASE PAYMENTS RECEIVED FROM AN
6 ELIGIBLE BEGINNING FARMER OR RANCHER AS SPECIFIED IN THE QUALIFIED
7 LEASE, NOT TO EXCEED THE QUALIFIED TAXPAYER'S INCOME AND NOT TO
8 EXCEED THE AMOUNT SPECIFIED IN SUBPARAGRAPH (III) OF THIS
9 PARAGRAPH (u).

10 (III) THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY
11 MAY ISSUE MORE THAN ONE DEDUCTION CERTIFICATE FOR EACH QUALIFIED
12 TAXPAYER IF SUCH QUALIFIED TAXPAYER ENTERS INTO MORE THAN ONE
13 QUALIFIED LEASE WITH MORE THAN ONE ELIGIBLE BEGINNING FARMER OR
14 RANCHER; EXCEPT THAT THE TOTAL AMOUNT SPECIFIED IN ALL DEDUCTION
15 CERTIFICATES ISSUED TO A QUALIFIED TAXPAYER MAY NOT EXCEED
16 TWENTY-FIVE THOUSAND DOLLARS PER INCOME TAX YEAR FOR A
17 MAXIMUM OF THREE INCOME TAX YEARS, AND EXCEPT THAT THE
18 COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY SHALL NOT ISSUE
19 MORE THAN THE NUMBER OF DEDUCTION CERTIFICATES PER INCOME TAX
20 YEAR SET FORTH IN SECTION 35-75-107 (1) (u), C.R.S.

21 (IV) FOR PURPOSES OF THIS PARAGRAPH (u):

22 (A) "AGRICULTURAL ASSET" MEANS LAND, CROPS, LIVESTOCK AND
23 LIVESTOCK FACILITIES, FARM EQUIPMENT AND MACHINERY, GRAIN
24 STORAGE, OR IRRIGATION EQUIPMENT.

25 (B) "COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY"
26 MEANS THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY
27 CREATED IN SECTION 35-75-104, C.R.S.

1 (C) "DEDUCTION CERTIFICATE" MEANS A CERTIFICATE ISSUED BY
2 THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY CERTIFYING
3 THAT A QUALIFIED TAXPAYER QUALIFIES FOR THE INCOME TAX DEDUCTION
4 AUTHORIZED IN THIS SECTION AND SPECIFYING THE AMOUNT OF THE
5 DEDUCTION ALLOWED.

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

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

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

25 (V) TO CLAIM THE DEDUCTION ALLOWED IN THIS PARAGRAPH (u),
26 THE QUALIFIED TAXPAYER SHALL ATTACH A COPY OF THE DEDUCTION
27 CERTIFICATE ISSUED BY THE COLORADO AGRICULTURAL DEVELOPMENT

1 AUTHORITY TO THE TAXPAYER'S RETURN. NO TAX DEDUCTION IS ALLOWED
2 UNDER THIS PARAGRAPH (u) UNLESS THE TAXPAYER PROVIDES THE COPY
3 OF THE DEDUCTION CERTIFICATE.

4 (VI) THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY
5 SHALL, IN A SUFFICIENTLY TIMELY MANNER TO ALLOW THE DEPARTMENT
6 OF REVENUE TO PROCESS RETURNS CLAIMING THE DEDUCTION ALLOWED
7 BY THIS SECTION, PROVIDE THE DEPARTMENT OF REVENUE WITH AN
8 ELECTRONIC REPORT OF THE QUALIFIED TAXPAYERS RECEIVING A
9 DEDUCTION CERTIFICATE AS ALLOWED IN THIS SECTION FOR THE
10 PRECEDING CALENDAR YEAR THAT INCLUDES THE FOLLOWING
11 INFORMATION:

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

15 (VII) THIS PARAGRAPH (u) IS REPEALED, EFFECTIVE DECEMBER 31,
16 2022.

17 **SECTION 2.** In Colorado Revised Statutes, 39-22-304, **add** (3)
18 (o) as follows:

19 **39-22-304. Net income of corporation - definitions - repeal.**

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

21 (o) (I) THE GENERAL ASSEMBLY HEREBY FINDS AND DECLARES
22 THAT:

23 (A) THE STATE IS SEEING A CONTINUED TREND OF AGING FARMERS
24 AND RANCHERS;

25 (B) THE CURRENT AVERAGE AGE OF A FAMILY FARM OR RANCH
26 OPERATOR IN COLORADO IS FIFTY-NINE;

27 (C) THERE IS A NATIONAL AND LOCAL FOCUS ON THE BENEFITS OF

1 LOCAL FOODS, AND AT THE SAME TIME A NEW GENERATION OF FARMER IS
2 EMERGING, BUT THE BEGINNING FARMERS OR RANCHERS ARE HAVING
3 TROUBLE FINDING LAND TO LEASE; AND

4 (D) THE INCOME TAX DEDUCTION ALLOWED IN THIS PARAGRAPH
5 (u) IS INTENDED TO BE AN INCENTIVE FOR AGING FARMERS OR RANCHERS
6 TO LEASE THEIR AGRICULTURAL ASSETS TO BEGINNING FARMERS OR
7 RANCHERS IN ORDER TO GIVE THE BEGINNERS A CHANCE TO GET STARTED
8 IN THE INDUSTRY.

9 (II) FOR INCOME TAX YEARS BEGINNING ON OR AFTER JANUARY 1,
10 2016, BUT BEFORE JANUARY 1, 2019, IF A QUALIFIED TAXPAYER ENTERS
11 INTO A QUALIFIED LEASE WITH AN ELIGIBLE BEGINNING FARMER OR
12 RANCHER, AN AMOUNT SPECIFIED IN A DEDUCTION CERTIFICATE ISSUED BY
13 THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY THAT IS EQUAL
14 TO TWENTY PERCENT OF THE LEASE PAYMENTS RECEIVED FROM AN
15 ELIGIBLE BEGINNING FARMER OR RANCHER AS SPECIFIED IN THE QUALIFIED
16 LEASE, NOT TO EXCEED THE AMOUNT SPECIFIED IN SUBPARAGRAPH (III) OF
17 THIS PARAGRAPH (o).

18 (III) THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY
19 MAY ISSUE MORE THAN ONE DEDUCTION CERTIFICATE FOR EACH QUALIFIED
20 TAXPAYER IF SUCH QUALIFIED TAXPAYER ENTERS INTO MORE THAN ONE
21 QUALIFIED LEASE WITH MORE THAN ONE ELIGIBLE BEGINNING FARMER OR
22 RANCHER; EXCEPT THAT THE TOTAL AMOUNT SPECIFIED IN ALL DEDUCTION
23 CERTIFICATES ISSUED TO A QUALIFIED TAXPAYER MAY NOT EXCEED
24 TWENTY-FIVE THOUSAND DOLLARS PER INCOME TAX YEAR FOR A
25 MAXIMUM OF THREE INCOME TAX YEARS, AND EXCEPT THAT THE
26 COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY SHALL NOT ISSUE
27 MORE THAN THE NUMBER OF DEDUCTION CERTIFICATES PER INCOME TAX

1 YEAR SET FORTH IN SECTION 35-75-107 (1) (u), C.R.S.

2 (IV) FOR PURPOSES OF THIS PARAGRAPH (o):

3 (A) "AGRICULTURAL ASSET" MEANS LAND, CROPS, LIVESTOCK AND
4 LIVESTOCK FACILITIES, FARM EQUIPMENT AND MACHINERY, GRAIN
5 STORAGE, OR IRRIGATION EQUIPMENT.

6 (B) "COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY"
7 MEANS THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY
8 CREATED IN SECTION 35-75-104, C.R.S.

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

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

25 (E) "QUALIFIED LEASE" MEANS A LEASE ENTERED INTO BETWEEN
26 A QUALIFIED TAXPAYER AND AN ELIGIBLE BEGINNING FARMER OR
27 RANCHER FOR THE QUALIFIED TAXPAYER'S AGRICULTURAL ASSET THAT IS

1 APPROVED BY THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY
2 AND HAS A DURATION OF AT LEAST THREE YEARS.

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

5 (V) TO CLAIM THE DEDUCTION ALLOWED IN THIS PARAGRAPH (o),
6 THE QUALIFIED TAXPAYER SHALL ATTACH A COPY OF THE DEDUCTION
7 CERTIFICATE ISSUED BY THE COLORADO AGRICULTURAL DEVELOPMENT
8 AUTHORITY TO THE TAXPAYER'S RETURN. NO TAX DEDUCTION IS ALLOWED
9 UNDER THIS PARAGRAPH (o) UNLESS THE TAXPAYER PROVIDES THE COPY
10 OF THE DEDUCTION CERTIFICATE.

11 (VI) THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY
12 SHALL, IN A SUFFICIENTLY TIMELY MANNER TO ALLOW THE DEPARTMENT
13 OF REVENUE TO PROCESS RETURNS CLAIMING THE DEDUCTION ALLOWED
14 BY THIS SECTION, PROVIDE THE DEPARTMENT OF REVENUE WITH AN
15 ELECTRONIC REPORT OF THE QUALIFIED TAXPAYERS RECEIVING A
16 DEDUCTION CERTIFICATE AS ALLOWED IN THIS SECTION FOR THE
17 PRECEDING CALENDAR YEAR THAT INCLUDES THE FOLLOWING
18 INFORMATION:

- 19 (A) THE QUALIFIED TAXPAYER'S NAME;
20 (B) THE QUALIFIED TAXPAYER'S COLORADO ACCOUNT NUMBER;
21 AND
22 (C) THE AMOUNT OF THE DEDUCTION ALLOWED IN THIS SECTION.

23 (VII) THIS PARAGRAPH (o) IS REPEALED, EFFECTIVE DECEMBER 31,
24 2022.

25 **SECTION 3.** In Colorado Revised Statutes, 35-75-107, **add** (1)
26 (u) as follows:

27 **35-75-107. General powers and duties of authority.** (1) In

1 addition to any other powers specifically granted to the authority in this
2 article, the authority has the following powers:

3 (u) TO RECEIVE APPLICATIONS AND ISSUE DEDUCTION
4 CERTIFICATES FOR THE INCOME TAX DEDUCTION FOR A PORTION OF LEASE
5 PAYMENTS RECEIVED BY A QUALIFIED TAXPAYER FOR LEASING THE
6 TAXPAYER'S AGRICULTURAL ASSET TO AN ELIGIBLE BEGINNING FARMER OR
7 RANCHER AS ALLOWED IN SECTIONS 39-22-104 AND 39-22-304, C.R.S.;
8 EXCEPT THAT THE AUTHORITY SHALL NOT ISSUE MORE THAN ONE
9 HUNDRED DEDUCTION CERTIFICATES PER INCOME TAX YEAR. THE
10 AUTHORITY SHALL REQUIRE THAT A COPY OF THE SCHEDULE F THAT THE
11 ELIGIBLE BEGINNING FARMER OR RANCHER FILED WITH THE ELIGIBLE
12 BEGINNING FARMER'S OR RANCHER'S FEDERAL INCOME TAX RETURN BE
13 INCLUDED AS A PART OF THE APPLICATION FOR A DEDUCTION CERTIFICATE.

14 **SECTION 4. Act subject to petition - effective date.** This act
15 takes effect at 12:01 a.m. on the day following the expiration of the
16 ninety-day period after final adjournment of the general assembly (August
17 5, 2015, if adjournment sine die is on May 6, 2015); except that, if a
18 referendum petition is filed pursuant to section 1 (3) of article V of the
19 state constitution against this act or an item, section, or part of this act
20 within such period, then the act, item, section, or part will not take effect
21 unless approved by the people at the general election to be held in
22 November 2016 and, in such case, will take effect on the date of the
23 official declaration of the vote thereon by the governor.