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May 7, 2025

Chair Ann H. Rest
Senate Tax Committee
75 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

Dear Chair Rest and members of the committee:

On behalf of Minnesota Farmers Union (MFU), I write to share our strong support for your tax omnibus (SF5234 DE). We appreciate your work to invest in beginning farmers, ensure small farmers can qualify for ag homestead, pilot an agriculture water quality tax credit, increase aid for Soil and Water Conservation Districts (SWCDs), and extend the credit for Sustainable Aviation Fuel (SAF). In all, this is a forward-looking bill that responds to the needs of Minnesota farm families. We hope it earns the committee's full support.

MFU is a grassroots organization that has represented Minnesota's family farmers, ranchers, and rural communities since 1918. In more detail and consistent with our grassroots policy, we'd like to share our support for:

- **Lifting the cap on total state funding for the Beginning Farmer Tax Credit** (Putnam SF1419) – we strongly support this is a proactive investment in the next generation of family farmers. This will ensure that beginning farmers can rely on this tax credit to negotiate deals for renting or purchasing land, equipment, or livestock, helping more Minnesotans build a life in agriculture.

For the first time since establishing the credit in 2017, a large percentage of farmers were turned away from the program last year due to lack of funding. This year, the Department ran out of funding in January. This is a challenge not just for those individual farmers, but also for the program and the state. Land deals in particular are often complex, costly, and lengthy. To be most effective in these negotiations, beginning farmers need to know that they can count on this credit. Other states look to Minnesota as a leader in helping the next generation achieve the dream of farm ownership. This investment will help our state continue to lead to the benefit of farm families, rural communities, and our entire state.

- **Expanding the agricultural homestead tax credit to small farmers and adding floriculture** (Putnam SF1498; Drazkowski SF2626) – together, these provisions will help more small, beginning, and emerging farmers build their farm businesses by allowing them to benefit from the ag homestead tax credit. In 2023, your committee led in expanding this signature credit to keep pace with skyrocketing land values and help family farmers retain their land—a move MFU strongly supported. Unfortunately, very small farmers operating on less than 11 acres are often unable to benefit.

This proposal will rectify that while establishing new safeguards to ensure that the tax credit goes to farmers who are genuinely building farm businesses. Importantly under the new language in your bill farmers would need to demonstrate at least \$20,000 in gross income in the previous year. Beyond targeted property tax relief, this will help ensure that

small farmers are zoned correctly and all with a negligible impact to revenue. This is a small change that will make a big difference for entrepreneurs who are working to build farm businesses across the state.

- **Piloting Ag Water Quality Tax Credit** (Drazkowski SF1269) – we support piloting a new, \$5-per-acre property tax credit for farms enrolled in the Minnesota Agriculture Water Quality Certification Program (MAWQCP) in Southeast Minnesota. The MAWQCP is a valued and respected partner to farmers for a couple reasons. First, because they employ a wholistic approach, working with farmers on a case-by-case basis to identify risks to water quality and then defining a plan for addressing those risks. For some it might be cover crops and for others it could be a land-bridge for cattle crossing a creek bed. Second, with this technical assistance there is rigor and accountability. Farmers need to implement practices or make other operational changes—some of which take significant work—to get certified. Third, and important for this pilot, this program has a demonstrated capacity to reduce nitrogen loss on certified farms.

We support piloting this tax credit with the belief that this would help accelerate interest in and adoption of soil health practices through MAWQCP, helping to continue to reduce nitrates in groundwater over the long-term. In future years and with demonstrated success, we would love to see this expanded across the state.

- **Providing additional aid to Soil and Water Conservation Districts (SWCDs)** (Hauschild SF1089) – we appreciate this committee's previous work to provide stable, long-term funding to SWCDs through a new local government aid program. Today, we appreciate your inclusion of additional support that will help districts assist our family farmer members in meeting their on-farm conservation goals, increasing climate resilience. With challenges from drought, to nitrates in groundwater, to new public and private programs, SWCDs are being asked for a lot. That's because they employ the trusted, local, boots-on-the-ground experts that provide technical assistance, implement new practices, and connect farmers with state and federal resources.
- **Sustainable Aviation Fuel (SAF) tax credit** – (Rest SF2374) – last but not least, we are grateful to see the extension of Minnesota's Sustainable Aviation Fuel (SAF) tax credit. Minnesota has the opportunity to lead in lowering the carbon intensity of air transportation while building new markets for family farmers—a win-win for our state.

Thank you again for prioritizing these important, forward-looking investments in family farmers. We are glad to share our strongest support. If you have any questions, please contact our Government Relations Director, Stu Lourey, at stu@mfu.org or (320) 232-2047. Thank you for responding to the needs and perspectives of Minnesota's farm families.

Sincerely,

A handwritten signature in black ink, reading "Gary Wertish". The signature is fluid and cursive, with the first name "Gary" being more prominent than the last name "Wertish".

Gary Wertish
President, Minnesota Farmers Union