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April 5, 2022

Chair Paul Marquart
House Taxes Committee
597 State Office Building
St. Paul, MN 55155

Dear Chair Marquart and members of the committee:

On behalf of Minnesota Farmers Union (MFU), I write to thank you for including important MFU priorities in your supplemental property tax proposal (HF3669). We appreciate your efforts to leverage the state's historic budget surplus to invest in the farm families and other working Minnesotans that helped carry our state through the pandemic. Thank you for your work on this proposal, your attention to our priorities, and your team's accessibility this session.

Your bill includes meaningful, long-term investments in the vitality of family farm and rural communities. More specifically, we strongly support:

- **Expanding the Beginning Farmer Tax Credit (BFTC)** by expanding the for sale of agricultural assets to family members (A22, line 22.7) and providing the Rural Finance Authority (RFA) funding to administer the credit, create an online application, and otherwise better administer the credit (A22, line 23.24). Farming is capital intensive and access to land and equipment continues to be a central challenge for young people seeking to build a life in agriculture. We believe these changes will strengthen the credit, expanding access to this successful and pioneering program.

Going forward, we would appreciate your support for including the changes you included in 2021 tax proposal, which would increase the credit for socially disadvantaged farmers. This will provide additional and needed support to emerging farmers who could benefit from the working relationships the credit helps broker with more established operators. We also ask that you extend the sunset of the program. Both of these changes are supported by a broad group of 16 agricultural organizations who work with the credit.

Thank you for your support of this program and your work to strengthen it on behalf of the next generation of farmers.

- **Repealing the sales tax on fencing equipment** (A22, line 55.1). Making this change retroactive through last summer will provide many livestock producers with needed relief and allow others to reinvest in their operations in response to last summer's historic drought.

The ongoing drought pushed many livestock farmers to invest in fencing new pasture, erect temporary fencing on state-owned land, or build paddocks to intentionally graze their livestock to make best use of the land they had. Providing a retroactive reprieve from sales tax is one way your committee can provide them with relief from the drought. Long-term, this investment will help grazers reinvest in their operations, graze more intentionally, and remain resilient to future droughts.

Much farm equipment is already exempt from sales tax, including most machinery, grain dryers, milking systems, and irrigation equipment. Adding fencing material to the list of exemptions will benefit livestock grazers long-term. Thank you for including this proposal and to Rep. Nelson for his work on the issue.

- **Expanding the Ag to School Tax Credit** (A22, line 117.7) to 85 percent will help more communities benefit from this successful program. This credit will provide significant property tax relief to farmers while also helping rural school districts make needed improvements to their facilities—a win-win for farmers and their communities.

After this credit was strengthened in 2019, we heard from members across the state who saw school construction bond levies pass in their communities. These investments will help ensure that students in rural areas have access to high-quality educational facilities and help young families build lives in rural Minnesota. Thank you for continuing to champion this successful program.

- **Funding SWCDs** (A22, line 130.4) through a new local government aid program will provide them with the stable, long-term funding they need to best assist our family farmer members in meeting their on-farm conservation goals. For our members' farms, conserving soil and water for future generations is central to long-term sustainability. SWCDs serve as the trusted, local, boots-on-the-ground partners in this important work, providing direct technical assistance, demonstrating new practices, and connecting with state and federal resources. That's why at our annual convention last November our members voted to adopt a resolution in support of increased, general fund support for SWCDs.

Last summer's drought was the worst in a generation and that came soon after our wettest fall on record in 2019. In response to these challenges, our members are actively working to adopt new practices that make them more resilient and promote soil health and water quality. Consistent and reliable funding for SWCDs is a foundational step toward helping our members achieve these important goals, benefiting both their individual operations and the entire state.

Thank you for including this important provision and to Rep. Reyer for her work on this proposal.

- **Adding hemp to the definition of agricultural products** (A22, line 102.17) for the purpose of property taxes. We have members we are raising industrial hemp and will appreciate your and Rep. Vang's leadership on this issue.

Thank you again for your hard work to craft a supplemental tax bill that invests in Minnesota's farmers and other working families across the state. We recognize that the release of your budget proposal is the start of a process to develop a final bill. Knowing this, we want you to share our support for providing a property tax exemption for land held in riparian buffers and expanding the homestead tax credit.

Thank you again for your work on this proposal and your partnership on these issues. If you have any questions, please contact our Government Relations Director, Stu Lourey, at stu@mfu.org or (320) 232-2047. Thank you for considering the needs and perspectives of Minnesota's farm families.

Sincerely,

A handwritten signature in black ink that reads "Gary Wertish". The signature is written in a cursive style with a large, looped "G" and a long, sweeping underline.

Gary Wertish
President, Minnesota Farmers Union