



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB1501

Introduced 1/28/2025, by Rep. Dan Swanson

SYNOPSIS AS INTRODUCED:

35 ILCS 5/246 new

Amends the Illinois Income Tax Act. Creates an income tax credit for an owner of an agricultural asset who sells or rents the agricultural asset to a beginning farmer. Sets forth the amount of the credit. Provides that the amount of the credit awarded with respect to any single sale or lease agreement shall not exceed \$50,000 in any taxable year. Provides that the taxpayer shall apply to the Department of Agriculture for credits under the program. Provides that, for taxable years beginning on or after January 1, 2025 and beginning before January 1, 2030, the Department of Agriculture may not approve more than \$5,000,000 in credits under the program in any taxable year. Provides that, for taxable years beginning on or after January 1, 2030, the Department of Agriculture may not approve more than \$10,000,000 in credits under the program in any taxable year. Effective immediately.

LRB104 03362 HLH 17518 b

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Income Tax Act is amended by
5 adding Section 246 as follows:

6 (35 ILCS 5/246 new)

7 Sec. 246. Agricultural assets; beginning farmer.

8 (a) For taxable years beginning on or after January 1,
9 2025, an owner of an agricultural asset in this State may take
10 a credit against the tax imposed under subsections (a) and (b)
11 of Section 201, in an amount approved by the Department, for
12 the sale or rental of the agricultural asset to a beginning
13 farmer. Subject to the limitations set forth in this
14 subsection (a), the amount of the credit shall be equal to:

15 (1) if the agricultural asset is sold to a beginning
16 farmer, 5% of the lesser of the sale price or the fair
17 market value of the agricultural asset at the time of the
18 sale;

19 (2) if the agricultural asset is leased to a beginning
20 farmer pursuant to a cash rent lease, 5% of the amount of
21 the fixed cash rent payment that is due to the owner of the
22 agricultural asset during the taxable year under the terms
23 of the lease;

1 (3) if the agricultural asset is leased to a beginning
2 farmer pursuant to a commodity share lease, 15% of the
3 gross amount that the owner of the agricultural asset
4 would receive as a rent payment from the sale of the
5 owner's share of the commodity during the taxable year,
6 based on a formula developed by the Department of
7 Agriculture, by rule, using data compiled by the United
8 States Department of Agriculture; and

9 (4) if the agricultural asset is leased to a beginning
10 farmer pursuant to a flexible lease, 5% of the amount of
11 the fixed cash payment that is due to the owner of the
12 agricultural asset during the taxable year under the terms
13 of the lease.

14 The amount of the credit awarded under this Section with
15 respect to any single sale or lease agreement shall not exceed
16 \$50,000 in any taxable year. For taxable years beginning on or
17 after January 1, 2025 and beginning before January 1, 2030,
18 the Department may not approve more than \$5,000,000 in credits
19 under this Section in any taxable year. For taxable years
20 beginning on or after January 1, 2030, the Department may not
21 approve more than \$10,000,000 in credits under this Section in
22 any taxable year.

23 (b) If the agricultural asset is leased to a beginning
24 farmer, the term of the lease agreement must be at least 2
25 years but not more than 5 years.

26 (c) The owner of the agricultural asset must apply to the

1 Department by August 1 of the taxable year for approval of the
2 tax credit under this Section. The application must:

3 (1) identify the beginning farmer to whom the assets
4 are sold or rented;

5 (2) specify whether the beginning farmer is a brother,
6 sister, ancestor, or lineal descendant of the taxpayer;
7 and

8 (3) contain any other information deemed necessary by
9 the Department.

10 If the Department grants the taxpayer a credit under this
11 Section, the Department shall issue a tax credit certificate
12 to the taxpayer, and the taxpayer shall attach a copy of the
13 certificate to his or her Illinois income tax return for the
14 taxable year. The credit shall be claimed in the taxable year
15 for which the tax credit certificate is issued.

16 (d) In no event shall a credit under this Section reduce
17 the taxpayer's liability to less than zero. If the amount of
18 the credit exceeds the tax liability for the year, the excess
19 may be carried forward and applied to the tax liability of the
20 5 taxable years following the excess credit year. The tax
21 credit shall be applied to the earliest year for which there is
22 a tax liability. If there are credits for more than one year
23 that are available to offset a liability, the earlier credit
24 shall be applied first.

25 (e) For partners and shareholders of subchapter S
26 corporations, the provisions of Section 251 shall apply with

1 respect to the credit under this Section.

2 (f) As used in this Section:

3 "Agricultural asset" means agricultural land, livestock,
4 facilities, buildings, and machinery used for farming.

5 "Beginning farmer" means a person who:

6 (1) has demonstrated experience in agriculture or a
7 related field or has transferable skills, as determined by
8 the Department;

9 (2) has not received income from agricultural
10 production for more than the 10 most recent taxable years;

11 (3) intends to engage in agricultural production
12 within the State and to provide the majority of the labor
13 and management involved in the agricultural production;

14 (4) has obtained certification from the Department as
15 a beginning farmer;

16 (5) is not, and whose spouse is not, a partner,
17 member, shareholder, or trustee of the owner of the
18 agricultural asset; and

19 (6) is not a brother, sister, ancestor, or lineal
20 descendant of the owner of the agricultural asset.

21 "Cash rent lease" means a rental agreement pursuant to
22 which the owner of an agricultural asset receives a fixed cash
23 rent payment in exchange for the use of the agricultural asset
24 by a beginning farmer.

25 "Commodity share lease" means a rental agreement pursuant
26 to which the owner of an agricultural asset receives as a rent

1 payment a percentage of the commodity produced by the
2 beginning farmer.

3 "Department" means the Department of Agriculture.

4 "Farming" means the active use, management, and operation
5 of real and personal property for agricultural production.

6 "Flexible lease" means an agreement pursuant to which the
7 owner of the agricultural asset receives a rent payment
8 consisting of a fixed cash payment and an amount subject to
9 adjustment according to a risk-sharing arrangement.

10 "Owner of an agricultural asset" means an individual,
11 trust or pass-through entity that is the owner in fee simple of
12 agricultural land or has legal title to any other agricultural
13 asset. The term does not include an equipment dealer,
14 livestock dealer, or comparable entity that is engaged in the
15 business of selling agricultural assets for profit and that is
16 not engaged in farming as its primary business activity.

17 (g) This Section is exempt from the provisions of Section
18 250.

19 Section 99. Effective date. This Act takes effect upon
20 becoming law.