

## Beginning Farmer Exemption for Personal Property

### Overview

The Beginning Farmer Tax Credit Act provides an exemption of personal property tax for tangible personal property that is used in a qualifying beginning farmer's or livestock producer's operation. The personal property exemption is limited to a three-year period for up to \$100,000 each year.

An Exemption Application for Qualified Beginning Farmer or Livestock Producer, Form 1027, must be filed with the county assessor on or before December 31 of the year preceding the year for which the exemption begins.

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### Terms

**Agricultural Assets.** Agricultural assets is agricultural land, livestock, farming or livestock production facilities, or buildings and machinery and equipment used for farming or livestock production in Nebraska.

**Beginning Farmer Board.** The Beginning Farmer Board (board) develops and directs programs to provide increased and enhanced opportunities for beginning farmers and livestock producers. The board is housed within the Nebraska Department of Agriculture and meets twice a year. The board is comprised of the Director of Agriculture (or his or her designee), the Tax Commissioner (or his or her designee), one individual representing lenders of agricultural credit, one individual of the academic community involved in agricultural economics, and one individual from each of the three congressional districts who are currently engaged in farming or livestock production.

**Farm.** A farm is any tract of land over ten acres in area used for or devoted to the commercial production of farm products.

**Farm Product.** Farm products are those plants and animals useful to humans and include, but are not limited to, forages and sod crops, grains and feed crops, dairy and dairy products, poultry and poultry products, livestock (including breeding and grazing livestock), fruits, and vegetables.

**Farming or Livestock Production.** Farming or livestock production is the active use, management, and operation of real and personal property for the production of a farm product.

**Qualified Beginning Farmer or Livestock Producer.** A qualified beginning farmer or livestock producer is an individual who:

- ❖ Is a resident domiciled in Nebraska has entered farming or livestock production or who is seeking entry into farming or livestock production;
- ❖ Intends to farm or raise crops or livestock on land located within the borders of Nebraska;
- ❖ Has a net worth of not more than \$200,000, including any holdings by a spouse or dependent, based on fair market value;
- ❖ Provides the majority of the day-to-day physical labor and management of his or her farming or livestock production operations;
- ❖ Has, by the judgment of the board, adequate farming or livestock production experience or demonstrates knowledge in the type of farming or livestock production for which he or she seeks assistance from the board;
- ❖ Demonstrates to the board a profit potential by submitting board-approved projected earnings statements and agrees that farming or livestock production is intended to become his or her principal source of income;
- ❖ Demonstrates to the board a need for assistance;
- ❖ Participates in a financial management program approved by the board;
- ❖ Submits a nutrient management plan and a soil conservation plan to the board on any applicable agricultural assets purchased or rented from an owner of agricultural assets; and
- ❖ Has such other qualifications as specified by the board.

**Personal Property.** Personal property is tangible personal property used in a trade or business, and includes trade fixtures. Generally, it is property which depreciates over time, and for which a personal property return is filed.

## Qualifications

To become certified as a beginning farmer or livestock producer, an application must be filed with the board. If the board determines that the applicant is qualified as a beginning farmer or livestock producer, a certification will be issued to the applicant. Detailed information on qualifications and procedure for obtaining the certification is available on the Department of Agriculture's NextGen website at [nextgen.nebraska.gov/index.html](http://nextgen.nebraska.gov/index.html).

Once qualified and holding a certificate, the qualified beginning farmer or livestock producer may apply for personal property exemption for agricultural and horticultural machinery and equipment utilized in their operation.

## Exemption Application Process

A qualified beginning farmer must file an [Exemption Application for Qualified Beginning Farmer or Livestock Producer, Form 1027](#), with the county assessor on or before December 31 of the year prior to the year for which the exemption is sought. For instance, if a qualified beginning farmer or livestock producer wishes to receive a personal property tax exemption for the 2016 tax year, Form 1027 would need to be filed no later than December 31, 2015.

Failure to furnish the required documentation including the Form 1027 by December 31 will result in the loss of the personal property tax exemption for the first year following the application date. Upon furnishing the required documentation including the Form 1027, the application for exemption from personal property tax will be considered for the three years thereafter.

The county assessor has forms available for use. The form is also available online at [revenue.nebraska.gov/PAD/forms/forms.html](http://revenue.nebraska.gov/PAD/forms/forms.html). The qualified certificate issued by the Board must be attached to the Form 1027, when filed.

The county assessor will send notification to the applicant by February 1 of the approval or denial of the exemption application. If the application is approved, the exemption will continue for three years if the personal property return, schedules, and depreciation worksheet are timely filed each year.

## Requirements to Receive Exemption

On or before May 1 each year, the beginning farmer or livestock producer must file a personal property return with the county assessor in the county where the property is located. The total value of exempt taxable agricultural and horticultural machinery and equipment may not exceed \$100,000 in any one year.

A properly granted exemption will continue for three years, if a Nebraska personal property tax return, supporting schedules, and depreciation worksheets are filed with the county assessor each year, on or before May 1.

Failure on the part of the beginning farmer or livestock producer to file the personal property return, supporting schedules, and depreciation worksheet on or before May 1 is a forfeiture of the exemption from personal property tax for that year and will result in the tangible personal property being subject to the personal property tax, plus applicable late filing penalties. Failure to timely file on or before May 1 will also result in a loss of the year from the three-year period for exemption from personal property tax.

## Appeal Process

If the exemption application is denied, the applicant may file a written protest with the county board of equalization within 30 days after the mailing of the denial. The county board of equalization has 30 days to decide the protest. The applicant will be notified within seven days of the county board of equalization's decision. If the applicant is dissatisfied with the county board of equalization's decision, an appeal can be filed with the Tax Equalization and Review Commission within 30 days after the date of the decision.

## Resource List

- ❖ [Form 1027, Exemption Application for Qualified Beginning Farmer or Livestock Producer, Nebraska Department of Revenue](#)
- ❖ [Nebraska Administrative Code 350, Chapter – 40 Property Tax Exemptions, REG-40-012 Beginning Farmer Personal Property Exemption, Nebraska Department of Revenue](#)
- ❖ [NextGen, Beginning Farmer Tax Credit Act Qualification/Certification, Nebraska Department of Agriculture](#)
- ❖ [Beginning Farmer Tax Credit Act and Related Statutes, Nebraska Department of Agriculture](#)
- ❖ [Beginning Farmer Tax Credit Act Regulations, Nebraska Department of Agriculture](#)

**revenue.nebraska.gov/PAD**  
402-471-5984, Fax 402-471-5993  
Nebraska Department of Revenue, Property Assessment Division  
PO Box 98919, Lincoln, Nebraska 68509-8919