

1 STATE OF OKLAHOMA

2 2nd Session of the 51st Legislature (2008)

3 SENATE BILL 1184

By: Myers

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7 AS INTRODUCED

8 An Act relating to revenue and taxation; creating the
9 Oklahoma Beginning Producer's Incentive and
10 Established Producer's Tax Credit Program; providing
11 short title; providing legislative intent; defining
12 terms; providing income tax credit for certain income
13 received by specified taxpayer under certain
14 conditions; providing for amount of credit and
15 authorizing credit to be claimed during certain time
16 period; requiring Oklahoma Tax Commission to use
17 specified information to determine credit allowed;
18 requiring Tax Commission to recapture credit under
19 specified circumstances; providing for taxpayer
20 election to use unused or excess credit; requiring
21 Tax Commission to promulgate rules; and providing
22 effective date.

23 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

24 SECTION 1. NEW LAW A new section of law to be codified
in the Oklahoma Statutes as Section 2357.105 of Title 68, unless
there is created a duplication in numbering, reads as follows:

A. This act shall be known and may be cited as the "Oklahoma
Beginning Producer's Incentive and Established Producer's Tax Credit
Program".

1 B. The Legislature hereby finds that a tax credit for
2 established producers who lease agricultural assets to beginning
3 producers will help promote the establishment and retention of
4 agricultural jobs in Oklahoma.

5 C. As used in the Oklahoma Beginning Producer's Incentive and
6 Established Producer's Tax Credit Program:

7 1. "Agricultural assets" means agricultural land, livestock,
8 farming or livestock production facilities and buildings and
9 machinery used for farming or livestock production;

10 2. "Beginning producer" means a person residing in this state
11 during the term of a qualifying lease who:

12 a. has education, training or experience in farming or
13 livestock production,

14 b. materially and substantially participates in farming
15 or livestock production using real or personal
16 property subject to a qualifying lease, and

17 c. had not earned more than Five Thousand Dollars
18 (\$5,000.00) in gross receipts as an owner or part
19 owner of a farm or ranch during any of the ten (10)
20 calendar years preceding the commencement of the
21 qualifying lease;

22 3. "Established producer" means a resident of this state who
23 has derived at least twenty percent (20%) of his or her adjusted
24 gross income from farming or livestock production during the five

1 (5) taxable years directly preceding an agreement for a qualifying
2 lease;

3 4. "Farm" means any tract of land of ten acres or more in an
4 area used for or devoted to the commercial production of farm
5 products;

6 5. "Farm product" means plants and animals useful to a
7 producer, including, but not limited to, forages and sod crops,
8 grains and feed crops, dairy and dairy products, livestock, fruits
9 and vegetables;

10 6. "Farming or livestock production" means the active use,
11 management and operation of real and personal property for the
12 production of a farm product; and

13 7. "Qualifying lease" means any standard written lease which
14 specifies the agricultural assets subject to the lease, the location
15 of the property and the terms of the lease.

16 D. There shall be allowed a credit against the tax imposed by
17 Section 2355 of Title 68 of the Oklahoma Statutes for rental income
18 received by a taxpayer who is an established producer under an
19 agreement with a beginning producer for a qualifying lease of
20 eligible assets.

21 E. The credit allowed by subsection D of this section shall be
22 equal to five percent (5%) of the rental income received under a
23 cash rental agreement for a qualifying lease of eligible assets or
24 fifteen percent (15%) of the value of a taxpayer's share under a

1 share agreement for a qualifying lease of eligible assets. A
2 taxpayer may claim such credit for any tax year which falls during
3 the term of a qualifying lease.

4 F. In determining the credit due pursuant to this act, the
5 Oklahoma Tax Commission shall:

6 1. In the case of a cash rental agreement for a qualifying
7 lease, use the Form 1099 issued by the beginning producer to the
8 established producer; and

9 2. In the case of a share agreement for a qualifying lease, use
10 such documentation as may be necessary to verify the value
11 transferred to the experienced producer.

12 G. In the event that an agreement for a qualifying lease is
13 terminated by the established producer, any credits claimed pursuant
14 to this section shall be recaptured by the Oklahoma Tax Commission
15 by increasing the tax imposed pursuant to Section 2355 of Title 68
16 of the Oklahoma Statutes upon the established producer to the extent
17 of the recaptured credit amount.

18 H. At the election of the taxpayer, if the credit allowed
19 pursuant to this act in any tax year:

20 1. Exceeds the tax imposed by Section 2355 of Title 68 of the
21 Oklahoma statutes, the excess amount shall be refunded to the
22 taxpayer; or

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1 2. Is not used by the taxpayer, such credit may be carried over
2 in order to each of the five (5) tax years following the year of
3 qualification.

4 I. The Oklahoma Tax Commission shall promulgate such rules as
5 may be necessary to implement this act.

6 SECTION 2. This act shall become effective January 1, 2009.

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