

# **TAX-DEDUCTION**

## **Sale of Agricultural Land to a Beginning Farmer or Rancher**

Sellers of agricultural land, whether an individual, partnership or corporation, may obtain a tax-deduction associated with the sale of land to a qualified beginning farmer or rancher if it complies with other statutory requirements.

The Montana Agricultural Loan Authority, administered by the Montana Department of Agriculture, is responsible for approving applications for the tax-deduction allowed by statute 80-12-211, MCA and Administrative Rules of Montana 4.14.601.

If approved by the Montana Agricultural Loan Authority, the seller may deduct up to \$50,000 against capital gains and other earnings associated with the contract sale of the agricultural land. The deduction may be claimed over several years against state taxes only, but may not exceed the maximum amount of \$50,000.

To qualify for the tax-deduction, each sale must include at least eighty (80) acres of agricultural land. The land must be sold on a long-term contract (contract for deed, mortgage, etc.) held by the seller for a term of at least ten (10) years at a fixed interest rate of nine percent (9%) or less. The dollar amount of the long-term contract must be at least fifty-one percent (51%) of the total purchase price of the agricultural land.

The Montana Agricultural Loan Authority must certify that the purchaser qualifies as a beginning farmer or rancher. Basic eligibility requirements and qualifications include:

- a) a total net worth (including spouse and children) of less than \$450,000;
- b) Montana residency on the date of the application for tax-deduction;
- c) adequate education, training and experience for the anticipated farm operation;
- d) does not own substantial property ( more than 30% of the county median or exceeds \$125,000 in value);
- e) and additional documentation as requested to determine eligibility.

The Montana Agricultural Loan Authority requires a bona-fide financial statement from the beginning farmer or rancher reflecting the financial condition of the land immediately prior to the purchase. The Montana Agricultural Loan Authority may require further documentation as it deems necessary to certify the purchaser as a beginning farmer or rancher.

The Montana Agricultural Loan Authority may conduct additional inquiries or investigations as necessary to determine the accuracy and completeness of an application for tax-deduction.

The application for tax-deduction must be approved by the Montana Agricultural Loan Authority and written notice received by the Montana Department of Revenue before it will accept the taxpayer's claim for deduction. The Montana Agricultural Loan Authority follows

Administrative Rules 42.15.415 and 42.23.424 established by the Montana Department of Revenue for individual and corporation tax-deductions, respectively.

Sellers of agricultural land are encouraged to contact their accountant, attorney, Montana Department of Agriculture, or the Montana Department of Revenue prior to closing on a respective sale of agricultural land to determine whether or not the planned transaction qualifies for the tax-deduction and assess the possible advantages of complying with the regulatory requirements. If the sale has already occurred, applications can be considered for up to one year after the closing date of sale.

Sellers of agricultural land may request an application for tax-deduction through the Montana Department of Agriculture. A nonrefundable \$25.00 application fee made payable to the department must accompany the standard application form and other documentation.

For additional information or application forms, please call the department at (406) 444-2402 or write to:

Agriculture Finance Program  
Montana Department of Agriculture  
PO Box 200201  
Helena, MT 59620-0201

Montana Department of Agriculture  
Montana Agricultural Loan Authority  
P. O. Box 200201  
Helena, MT. 59620-0201

\_\_\_\_\_  
Date Received

\_\_\_\_\_  
Fee Received

(406) 444-2402

## APPLICATION FOR TAX-DEDUCTION AND CERTIFICATION OF BEGINNING FARMER/RANCHER

The below named applicant(s) herein makes application for the purpose of qualifying for a reduction in Montana State taxable income from contract for deed sale of agricultural land as provided under Title 80, Chapter 12, Section 80-12-211, MCA. The applicant must pay the required \$25.00 application fee per application before the Montana Agricultural Loan Authority will review the request for certification. Please return the completed application and \$25.00 application fee (do not send cash) to the Montana Agricultural Loan Authority at the above address.

Applicant is an individual \_\_\_\_\_, partnership \_\_\_\_\_, corporation \_\_\_\_\_, or other \_\_\_\_\_.

Applicant (Seller)

\_\_\_\_\_  
Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
Name

\_\_\_\_\_  
Address

If this application is presented by someone other than an individual or husband and wife, note the names, address and corporate title of each partner or corporate officer, etc.

\_\_\_\_\_  
Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
Title

\_\_\_\_\_  
Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
Title

\_\_\_\_\_  
Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
Title

\_\_\_\_\_  
Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
Title

**APPLICANT CERTIFICATION**

In submitting this application (I, we) the above named applicant(s) herein certify that the following conditions are true:

1. The agricultural land described within this application will be sold on a fixed rate long-term contract for deed at nine (9%) or less interest rate to the prospective beginning farmer/rancher noted below. The term of this contract for deed shall be for a period of \_\_\_\_\_ years and shall amount to at least fifty-one percent (51%) of the total sale price of \$\_\_\_\_\_.

2. The agricultural land as described herein is located in Montana and is owned solely by the applicant(s) as noted above.

3. The agricultural land described herein is at least eighty (80) acres in size. The legal description of said land is as follows:

(I, We) certify that (I, we) have read the foregoing application and that all information and statements provided herein or in regards to this application are true and correct to the best of (my, our) knowledge. (I, We) understand that falsification or misrepresentation of the statements or other information supplied in regards to this application will be considered reasonable cause for denial/rejection of this application.

X \_\_\_\_\_ X \_\_\_\_\_  
Signature(s) Signature(s) Date

STATE OF MONTANA, )  
County of \_\_\_\_\_) ss

On this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me \_\_\_\_\_, a Notary Public for the State of Montana, personally appeared, \_\_\_\_\_, known to me to be the person(s) who subscribed to and executed the foregoing certification and acknowledged to me that \_\_\_\_\_ executed the same.

IN WHENCE WHEREOF, I have hereunto set my hand and affixed my Notarial Seal the day and year written above.

\_\_\_\_\_  
Notary Public for the State of Montana  
Residing at \_\_\_\_\_, Montana  
My commission expires \_\_\_\_\_

**Beginning Farmer/Rancher**

_____ Name	_____ Address	_____ Date of birth
_____ Name	_____ Address	_____ Date of birth

If the agricultural land is to be purchased by other than an individual or husband and wife (i.e. partnership, joint venture or association), the application for tax reduction must ensure that each member of the group files for certification. Each member of the group must meet the qualifications of a beginning farmer/rancher. A corporation cannot qualify as a beginning farmer/rancher or be included in any manner in the purchase of said property. Other individuals included in the purchase must also file under a separate application.

**BEGINNING FARMER/RANCHER CERTIFICATION**

(I, We) certify that the following statements are true:

1. (My, Our) separate or combined net worth does not exceed \$450,000 as determined through accepted standard accounting procedures (household goods excluded).
2. (My, Our) financial statement is accurate and complete to the best of our knowledge and is enclosed with this application. Indicate the name, address and telephone number of the individual or firm that prepared your financial statement.
3. (I, We) have sufficient education, training and experience in agriculture to allow for a reasonable probability of success in the proposed farming/ranching project. Explain form of education, training and experience (use extra sheet if necessary).

4. (I, We) are currently residents of the State of Montana.
5. (I, We) certify that the agricultural land to be purchased is at least eighty (80) acres in size and will be purchased at nine percent (9%) interest rate or less on a long-term contract for deed of ten (10) years or more and that the seller will finance at least fifty-one percent (51%) of the purchase price as noted herein.

6. I(we) certify that we don't own any substantial property (that is more than 30% of the county median or exceeds \$125,000 in value).

In submitting this application, (I, we) have read the foregoing application and certify that all information and statements provided herein or in regards to this application are true and correct to the best of (my, our) knowledge.

X \_\_\_\_\_ X \_\_\_\_\_ Date \_\_\_\_\_  
Signature(s) Signature(s)

STATE OF MONTANA, )  
County of \_\_\_\_\_) ss

On this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me \_\_\_\_\_, a Notary Public for the State of Montana, personally appeared \_\_\_\_\_, known to me to be the person(s) who subscribed to and executed the foregoing certification and acknowledged to me that \_\_\_\_\_ executed the same.

IN WHENCE WHEREOF, I have hereunto set my hand and affixed my Notarial Seal the day and year written above.

\_\_\_\_\_  
Notary Public for the State of Montana  
Residing at \_\_\_\_\_, Montana  
My commission expires \_\_\_\_\_

**MONTANA AGRICULTURAL LOAN AUTHORITY ACTION**

Approved \_\_\_\_\_ Conditions

Denied \_\_\_\_\_ Reasons

**Authorized Signatures**

X \_\_\_\_\_ Date \_\_\_\_\_  
Bureau Chief

X \_\_\_\_\_ Date \_\_\_\_\_  
Administrator