

First Regular Session  
Seventieth General Assembly  
STATE OF COLORADO

INTRODUCED

LLS NO. 15-0656.01 Esther van Mourik x4215

HOUSE BILL 15-1234

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HOUSE SPONSORSHIP

Mitsch Bush,

SENATE SPONSORSHIP

(None),

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House Committees

Agriculture, Livestock, & Natural Resources  
Finance

Senate Committees

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A BILL FOR AN ACT

101 CONCERNING A TEMPORARY INCOME TAX DEDUCTION FOR A PORTION  
102 OF LEASE PAYMENTS RECEIVED BY A QUALIFIED TAXPAYER FOR  
103 LEASING THE TAXPAYER'S AGRICULTURAL ASSET TO AN  
104 ELIGIBLE BEGINNING FARMER OR RANCHER.

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Bill Summary

*(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)*

The bill allows an income tax deduction for specified income tax years if a qualified taxpayer enters into a qualified lease with an eligible beginning farmer or rancher, in an amount specified in a deduction

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.  
Capital letters indicate new material to be added to existing statute.  
Dashes through the words indicate deletions from existing statute.

certificate issued by the Colorado agricultural development authority that is equal to 20% of the lease payments received from the eligible beginning farmer or rancher as specified in the qualified lease, not to exceed a specified amount per income tax year, for a maximum of 3 income tax years.

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1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1. Legislative declaration.** (1) The general assembly  
3 hereby finds and declares that:

4 (a) The state is seeing a continued trend of aging farmers and  
5 ranchers;

6 (b) The current average age of a family farm or ranch operator in  
7 Colorado is fifty-nine;

8 (c) There is a national and local focus on the benefits of local  
9 foods, and at the same time a new generation of farmer is emerging, but  
10 the beginning farmers or ranchers are having trouble finding land to lease;  
11 and

12 (d) The income tax deduction in this section is intended to be an  
13 incentive for our aging farmers or ranchers to lease their agricultural  
14 assets to beginning farmers or ranchers in order to give the beginners a  
15 chance to get started in the industry.

16 **SECTION 2.** In Colorado Revised Statutes, 39-22-104, **add** (4)  
17 (u) as follows:

18 **39-22-104. Income tax imposed on individuals, estates, and**  
19 **trusts - single rate - definitions - repeal.** (4) There shall be subtracted  
20 from federal taxable income:

21 (u) (I) FOR INCOME TAX YEARS BEGINNING ON OR AFTER JANUARY  
22 1, 2016, BUT BEFORE JANUARY 1, 2021, IF A QUALIFIED TAXPAYER ENTERS  
23 INTO A QUALIFIED LEASE WITH AN ELIGIBLE BEGINNING FARMER OR

1 RANCHER, AN AMOUNT SPECIFIED IN A DEDUCTION CERTIFICATE ISSUED BY  
2 THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY THAT IS  
3 EQUAL TO TWENTY PERCENT OF THE LEASE PAYMENTS RECEIVED FROM AN  
4 ELIGIBLE BEGINNING FARMER OR RANCHER AS SPECIFIED IN THE QUALIFIED  
5 LEASE, NOT TO EXCEED THE AMOUNT SPECIFIED IN SUBPARAGRAPH (II) OF  
6 THIS PARAGRAPH (u).

7 (II) THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY  
8 MAY ISSUE MORE THAN ONE DEDUCTION CERTIFICATE FOR EACH  
9 QUALIFIED TAXPAYER IF SUCH QUALIFIED TAXPAYER ENTERS INTO MORE  
10 THAN ONE QUALIFIED LEASE WITH MORE THAN ONE ELIGIBLE BEGINNING  
11 FARMER OR RANCHER; EXCEPT THAT THE TOTAL AMOUNT SPECIFIED IN ALL  
12 DEDUCTION CERTIFICATES ISSUED TO A QUALIFIED TAXPAYER MAY NOT  
13 EXCEED TWENTY-FIVE THOUSAND DOLLARS PER INCOME TAX YEAR FOR A  
14 MAXIMUM OF THREE INCOME TAX YEARS.

15 (III) FOR PURPOSES OF THIS PARAGRAPH (u):

16 (A) "AGRICULTURAL ASSET" MEANS LAND, CROPS, LIVESTOCK AND  
17 LIVESTOCK FACILITIES, FARM EQUIPMENT AND MACHINERY, GRAIN  
18 STORAGE, OR IRRIGATION EQUIPMENT.

19 (B) "COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY"  
20 MEANS THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY  
21 CREATED IN SECTION 35-75-104, C.R.S.

22 (C) "DEDUCTION CERTIFICATE" MEANS A CERTIFICATE ISSUED BY  
23 THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY CERTIFYING  
24 THAT A QUALIFIED TAXPAYER QUALIFIES FOR THE INCOME TAX DEDUCTION  
25 AUTHORIZED IN THIS SECTION AND SPECIFYING THE AMOUNT OF THE  
26 DEDUCTION ALLOWED.

27 (D) "ELIGIBLE BEGINNING FARMER OR RANCHER" MEANS A

1 FARMER OR RANCHER RESIDING IN THE STATE WHO HAS A NET WORTH OF  
2 LESS THAN ONE MILLION DOLLARS, WILL PROVIDE THE MAJORITY OF THE  
3 DAILY PHYSICAL LABOR AND MANAGEMENT ON THE QUALIFIED  
4 TAXPAYER'S AGRICULTURAL ASSET OR WILL USE THE QUALIFIED  
5 TAXPAYER'S AGRICULTURAL ASSET THE MAJORITY OF THE TIME, HAS  
6 PLANS TO FARM OR RANCH FULL-TIME, HAS NOT BEEN ENGAGED IN  
7 FARMING OR RANCHING FOR MORE THAN TEN YEARS, HAS FARMING OR  
8 RANCHING EXPERIENCE OR EDUCATION, AND HAS PARTICIPATED IN A  
9 FINANCIAL MANAGEMENT EDUCATIONAL PROGRAM APPROVED BY THE  
10 COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY.

11 (E) "QUALIFIED LEASE" MEANS A LEASE ENTERED INTO BETWEEN  
12 A QUALIFIED TAXPAYER AND AN ELIGIBLE BEGINNING FARMER OR  
13 RANCHER FOR THE QUALIFIED TAXPAYER'S AGRICULTURAL ASSET THAT IS  
14 APPROVED BY THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY  
15 AND HAS A DURATION OF AT LEAST THREE YEARS.

16 (F) "QUALIFIED TAXPAYER" MEANS A TAXPAYER WHO OWNS AN  
17 AGRICULTURAL ASSET LOCATED IN THE STATE.

18 (IV) TO CLAIM THE DEDUCTION ALLOWED IN THIS PARAGRAPH (u),  
19 THE QUALIFIED TAXPAYER SHALL ATTACH A COPY OF THE DEDUCTION  
20 CERTIFICATE ISSUED BY THE COLORADO AGRICULTURAL DEVELOPMENT  
21 AUTHORITY TO THE TAXPAYER'S RETURN. NO TAX DEDUCTION IS ALLOWED  
22 UNDER THIS PARAGRAPH (u) UNLESS THE TAXPAYER PROVIDES THE COPY  
23 OF THE DEDUCTION CERTIFICATE.

24 (V) NO LATER THAN NOVEMBER 1, 2016, AND NO LATER THAN  
25 NOVEMBER 1 OF EACH YEAR THEREAFTER THROUGH NOVEMBER 1, 2020,  
26 THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY SHALL  
27 PROVIDE THE DEPARTMENT OF REVENUE WITH AN ELECTRONIC REPORT OF

1 THE QUALIFIED TAXPAYERS RECEIVING A DEDUCTION CERTIFICATE AS  
2 ALLOWED IN THIS SECTION FOR THE PRECEDING CALENDAR YEAR THAT  
3 INCLUDES THE FOLLOWING INFORMATION:

- 4 (A) THE QUALIFIED TAXPAYER'S NAME;
- 5 (B) THE QUALIFIED TAXPAYER'S SOCIAL SECURITY NUMBER; AND
- 6 (C) THE AMOUNT OF THE DEDUCTION ALLOWED IN THIS SECTION.

7 (VI) THIS PARAGRAPH (u) IS REPEALED, EFFECTIVE DECEMBER 31,  
8 2024.

9 **SECTION 3.** In Colorado Revised Statutes, 39-22-304, **add** (3)  
10 (o) as follows:

11 **39-22-304. Net income of corporation - definitions - repeal.**

12 (3) There shall be subtracted from federal taxable income:

13 (o) (I) FOR INCOME TAX YEARS BEGINNING ON OR AFTER JANUARY  
14 1, 2016, BUT BEFORE JANUARY 1, 2021, IF A QUALIFIED TAXPAYER ENTERS  
15 INTO A QUALIFIED LEASE WITH AN ELIGIBLE BEGINNING FARMER OR  
16 RANCHER, AN AMOUNT SPECIFIED IN A DEDUCTION CERTIFICATE ISSUED BY  
17 THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY THAT IS  
18 EQUAL TO TWENTY PERCENT OF THE LEASE PAYMENTS RECEIVED FROM AN  
19 ELIGIBLE BEGINNING FARMER OR RANCHER AS SPECIFIED IN THE QUALIFIED  
20 LEASE, NOT TO EXCEED THE AMOUNT SPECIFIED IN SUBPARAGRAPH (II) OF  
21 THIS PARAGRAPH (o).

22 (II) THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY  
23 MAY ISSUE MORE THAN ONE DEDUCTION CERTIFICATE FOR EACH  
24 QUALIFIED TAXPAYER IF SUCH QUALIFIED TAXPAYER ENTERS INTO MORE  
25 THAN ONE QUALIFIED LEASE WITH MORE THAN ONE ELIGIBLE BEGINNING  
26 FARMER OR RANCHER; EXCEPT THAT THE TOTAL AMOUNT SPECIFIED IN ALL  
27 DEDUCTION CERTIFICATES ISSUED TO A QUALIFIED TAXPAYER MAY NOT

1 EXCEED TWENTY-FIVE THOUSAND DOLLARS PER INCOME TAX YEAR FOR A  
2 MAXIMUM OF THREE INCOME TAX YEARS.

3 (III) FOR PURPOSES OF THIS PARAGRAPH (o):

4 (A) "AGRICULTURAL ASSET" MEANS LAND, CROPS, LIVESTOCK AND  
5 LIVESTOCK FACILITIES, FARM EQUIPMENT AND MACHINERY, GRAIN  
6 STORAGE, OR IRRIGATION EQUIPMENT.

7 (B) "COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY"  
8 MEANS THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY  
9 CREATED IN SECTION 35-75-104, C.R.S.

10 (C) "DEDUCTION CERTIFICATE" MEANS A CERTIFICATE ISSUED BY  
11 THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY CERTIFYING  
12 THAT A QUALIFIED TAXPAYER QUALIFIES FOR THE INCOME TAX DEDUCTION  
13 AUTHORIZED IN THIS SECTION AND SPECIFYING THE AMOUNT OF THE  
14 DEDUCTION ALLOWED.

15 (D) "ELIGIBLE BEGINNING FARMER OR RANCHER" MEANS A  
16 FARMER OR RANCHER RESIDING IN THE STATE WHO HAS A NET WORTH OF  
17 LESS THAN ONE MILLION DOLLARS, WILL PROVIDE THE MAJORITY OF THE  
18 DAILY PHYSICAL LABOR AND MANAGEMENT ON THE QUALIFIED  
19 TAXPAYER'S AGRICULTURAL ASSET OR WILL USE THE QUALIFIED  
20 TAXPAYER'S AGRICULTURAL ASSET THE MAJORITY OF THE TIME, HAS  
21 PLANS TO FARM OR RANCH FULL-TIME, HAS NOT BEEN ENGAGED IN  
22 FARMING OR RANCHING FOR MORE THAN TEN YEARS, HAS FARMING OR  
23 RANCHING EXPERIENCE OR EDUCATION, AND HAS PARTICIPATED IN A  
24 FINANCIAL MANAGEMENT EDUCATIONAL PROGRAM APPROVED BY THE  
25 COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY.

26 (E) "QUALIFIED LEASE" MEANS A LEASE ENTERED INTO BETWEEN  
27 A QUALIFIED TAXPAYER AND AN ELIGIBLE BEGINNING FARMER OR

1 RANCHER FOR THE QUALIFIED TAXPAYER'S AGRICULTURAL ASSET THAT IS  
2 APPROVED BY THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY  
3 AND HAS A DURATION OF AT LEAST THREE YEARS.

4 (F) "QUALIFIED TAXPAYER" MEANS A TAXPAYER WHO OWNS AN  
5 AGRICULTURAL ASSET LOCATED IN THE STATE.

6 (IV) TO CLAIM THE DEDUCTION ALLOWED IN THIS PARAGRAPH (o),  
7 THE QUALIFIED TAXPAYER SHALL ATTACH A COPY OF THE DEDUCTION  
8 CERTIFICATE ISSUED BY THE COLORADO AGRICULTURAL DEVELOPMENT  
9 AUTHORITY TO THE TAXPAYER'S RETURN. NO TAX DEDUCTION IS ALLOWED  
10 UNDER THIS PARAGRAPH (o) UNLESS THE TAXPAYER PROVIDES THE COPY  
11 OF THE DEDUCTION CERTIFICATE.

12 (V) NO LATER THAN NOVEMBER 1, 2016, AND NO LATER THAN  
13 NOVEMBER 1 OF EACH YEAR THEREAFTER THROUGH NOVEMBER 1, 2020,  
14 THE COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY SHALL  
15 PROVIDE THE DEPARTMENT OF REVENUE WITH AN ELECTRONIC REPORT OF  
16 THE QUALIFIED TAXPAYERS RECEIVING A DEDUCTION CERTIFICATE AS  
17 ALLOWED IN THIS SECTION FOR THE PRECEDING CALENDAR YEAR THAT  
18 INCLUDES THE FOLLOWING INFORMATION:

19 (A) THE QUALIFIED TAXPAYER'S NAME;

20 (B) THE QUALIFIED TAXPAYER'S COLORADO ACCOUNT NUMBER;

21 AND

22 (C) THE AMOUNT OF THE DEDUCTION ALLOWED IN THIS SECTION.

23 (VI) THIS PARAGRAPH (o) IS REPEALED, EFFECTIVE DECEMBER 31,  
24 2024.

25 **SECTION 4.** In Colorado Revised Statutes, 35-75-107, **add** (1)  
26 (u) as follows:

27 **35-75-107. General powers and duties of authority.** (1) In

1 addition to any other powers specifically granted to the authority in this  
2 article, the authority has the following powers:

3 (u) TO RECEIVE APPLICATIONS AND ISSUE DEDUCTION  
4 CERTIFICATES FOR THE INCOME TAX DEDUCTION FOR A PORTION OF LEASE  
5 PAYMENTS RECEIVED BY A QUALIFIED TAXPAYER FOR LEASING THE  
6 TAXPAYER'S AGRICULTURAL ASSET TO AN ELIGIBLE BEGINNING FARMER  
7 OR RANCHER AS ALLOWED IN SECTIONS 39-22-104 AND 39-22-304, C.R.S.

8 **SECTION 5. Act subject to petition - effective date.** This act  
9 takes effect at 12:01 a.m. on the day following the expiration of the  
10 ninety-day period after final adjournment of the general assembly  
11 (August 5, 2015, if adjournment sine die is on May 6, 2015); except that,  
12 if a referendum petition is filed pursuant to section 1 (3) of article V of  
13 the state constitution against this act or an item, section, or part of this act  
14 within such period, then the act, item, section, or part will not take effect  
15 unless approved by the people at the general election to be held in  
16 November 2016 and, in such case, will take effect on the date of the  
17 official declaration of the vote thereon by the governor.