



General Assembly

January Session, 2025

Raised Bill No. 7175

LCO No. 4521



Referred to Committee on FINANCE, REVENUE AND
BONDING

Introduced by:
(FIN)

***AN ACT ESTABLISHING A FARM INVESTMENT PROPERTY TAX
CREDIT AND INCREASING THE FARM MACHINERY PROPERTY TAX
EXEMPTION AMOUNT.***

Be it enacted by the Senate and House of Representatives in General
Assembly convened:

1 Section 1. (NEW) (*Effective January 1, 2026, and applicable to income and*
2 *taxable years commencing on or after January 1, 2026*) (a) As used in this
3 section:

4 (1) "Eligible farmer" means a taxpayer in this state whose federal
5 gross income from farming for the income or taxable year is at least two-
6 thirds of excess federal gross income;

7 (2) "Excess federal gross income" means the amount of federal gross
8 income from all sources for the income or taxable year in excess of thirty
9 thousand dollars;

10 (3) "Agricultural production" has the same meaning as provided in
11 subdivision (63) of section 12-412 of the general statutes;

12 (4) "Farm investment property" means machinery and equipment

13 that are acquired by purchase by an eligible farmer on or after January
14 1, 2026, and buildings and structural components of buildings that are
15 acquired, constructed, reconstructed or erected by an eligible farmer
16 and placed in service on or after January 1, 2026, and (A) are situated in
17 this state, (B) have a class life of more than four years, as described in
18 Section 168(e) of the Internal Revenue Code of 1986, or any subsequent
19 corresponding internal revenue code of the United States, as amended
20 from time to time, (C) are acquired by an eligible farmer from a person
21 other than a related person, (D) are not acquired to be leased, and are
22 not leased, to another person or persons during the twelve full months
23 following their acquisition or placement in service, and (E) will be held
24 and used in this state by the eligible farmer in the ordinary course of
25 agricultural production for not less than five full years following the
26 date of acquisition of such machinery and equipment or the date of
27 placement in service of such buildings;

28 (5) "Related person" means (A) a corporation, limited liability
29 company, partnership, association or trust controlled by the taxpayer,
30 (B) an individual, corporation, limited liability company, partnership,
31 association or trust that is in control of the taxpayer, (C) a corporation,
32 limited liability company, partnership, association or trust controlled by
33 an individual, corporation, limited liability company, partnership,
34 association or trust that is in control of the taxpayer, or (D) a member of
35 the same controlled group as the taxpayer; and

36 (6) "Control" means (A) with respect to a corporation, ownership,
37 directly or indirectly, of stock possessing fifty per cent or more of the
38 total combined voting power of all classes of the stock of such
39 corporation entitled to vote, or (B) with respect to a trust, ownership,
40 directly or indirectly, of fifty per cent or more of the beneficial interest
41 in the principal or income of such trust. The ownership (i) of stock in a
42 corporation, (ii) of a capital or profits interest in a partnership or
43 association, or (iii) of a beneficial interest in a trust shall be determined
44 in accordance with the rules for constructive ownership of stock
45 provided in Section 267(c) of the Internal Revenue Code of 1986, or any

46 subsequent corresponding internal revenue code of the United States,
47 as amended from time to time, other than paragraph (3) of said section.

48 (b) A taxpayer, in determining income eligibility for purposes of this
49 section, may use for any income or taxable year the average of the
50 taxpayer's federal gross income from farming for such income or taxable
51 year and the two consecutive income or taxable years immediately
52 preceding.

53 (c) (1) There shall be allowed a credit against the tax imposed under
54 chapter 208 or 229 of the general statutes, other than the liability
55 imposed by section 12-707 of the general statutes, of twenty per cent of
56 the amount paid or incurred during an income or a taxable year for farm
57 investment property by a taxpayer that is an eligible farmer.

58 (2) If the taxpayer is an S corporation or an entity treated as a
59 partnership for federal income tax purposes, the credit may be claimed
60 by the taxpayer's shareholders or partners. If the taxpayer is a single
61 member limited liability company that is disregarded as an entity
62 separate from its owner, the credit may be claimed by such limited
63 liability company's owner, provided such owner is subject to the tax
64 imposed under chapter 208 or 229 of the general statutes.

65 (3) If the amount of the credit allowed pursuant to this section
66 exceeds the taxpayer's liability for the tax imposed under chapter 208 or
67 229 of the general statutes, the Commissioner of Revenue Services shall
68 treat such excess as an overpayment and, except as provided in section
69 12-739 or 12-742 of the general statutes, shall refund the amount of such
70 excess, without interest, to such taxpayer.

71 (4) No taxpayer claiming the credit under this section with respect to
72 the acquisition of farm investment property may claim a credit against
73 any tax under any other provision of the general statutes with respect to
74 the same acquisition.

75 (d) If the farm investment property for which a taxpayer has claimed

76 the credit allowed under this section is not held and used in this state in
 77 the ordinary course of agricultural production in this state for three full
 78 years following its acquisition, the taxpayer shall recapture one
 79 hundred per cent of the amount of the credit allowed under this section
 80 on its tax return required to be filed for the income or taxable year
 81 immediately succeeding the income or taxable year during which such
 82 three-year period expires. If the farm investment property for which a
 83 taxpayer has claimed the credit allowed under this section is not held
 84 and used in this state in the ordinary course of agricultural production
 85 in this state for five full years following its acquisition, the taxpayer shall
 86 recapture fifty per cent of the amount of the credit allowed under this
 87 section on its tax return required to be filed for the income or taxable
 88 year immediately succeeding the income or taxable year during which
 89 such five-year period expires. The provisions of this subsection shall not
 90 apply if the property that is the subject of the credit under this section is
 91 replaced. If any amount of credit required to be recaptured has not been
 92 paid to the commissioner on or before the first day of the fourth month
 93 next succeeding the end of the income year immediately succeeding the
 94 income year during which the three-year or five-year period, as the case
 95 may be, expires, such amount shall bear interest at the rate of one per
 96 cent per month or fraction thereof from such date to the date of
 97 payment.

98 Sec. 2. Section 12-91 of the general statutes is repealed and the
 99 following is substituted in lieu thereof (*Effective October 1, 2025, and*
 100 *applicable to assessment years commencing on or after October 1, 2025*):

101 (a) All farm machinery, except motor vehicles, as defined in section
 102 14-1, to the assessed value of [one] five hundred thousand dollars, any
 103 horse or pony that is actually and exclusively used in farming, as
 104 defined in section 1-1, when owned and kept in this state by, or when
 105 held in trust for, any farmer or group of farmers operating as a unit, a
 106 partnership or a corporation, a majority of the stock of which
 107 corporation is held by members of a family actively engaged in farm
 108 operations, shall be exempt from local property taxation; provided each

109 such farmer, whether operating individually or as one of a group,
110 partnership or corporation, shall qualify for such exemption in
111 accordance with the standards set forth in subsection (d) of this section
112 for the assessment year for which such exemption is sought. Only one
113 such exemption shall be allowed to each such farmer, group of farmers,
114 partnership or corporation. Subdivision (38) of section 12-81 shall not
115 apply to any person, group, partnership or corporation receiving the
116 exemption provided for in this subsection.

117 (b) Any municipality, upon approval by its legislative body, may
118 provide an additional exemption from property tax for such machinery
119 to the extent of an additional assessed value of two hundred fifty
120 thousand dollars. Any such exemption shall be subject to the same
121 limitations as the exemption provided under subsection (a) of this
122 section and the application and qualification process provided in
123 subsection (d) of this section.

124 (c) Any municipality, upon approval by its legislative body, may
125 provide an exemption from property tax for any building used actually
126 and exclusively in farming, as defined in section 1-1, or for any building
127 used to provide housing for seasonal employees of such farmer. The
128 municipality shall establish the amount of such exemption from the
129 assessed value, provided such amount may not exceed five hundred
130 thousand dollars with respect to each eligible building. Such exemption
131 shall not apply to the residence of such farmer and shall be subject to
132 the application and qualification process provided in subsection (d) of
133 this section.

134 (d) Annually, on or before the first day of November or the extended
135 filing date granted by the assessor pursuant to section 12-42, each such
136 individual farmer, group of farmers, partnership or corporation shall
137 make written application for the exemption provided for in subsection
138 (a) of this section to the assessor or board of assessors in the town in
139 which such farm is located, including therewith a notarized affidavit
140 certifying that such farmer, individually or as part of a group,

141 partnership or corporation, derived at least fifteen thousand dollars in
142 gross sales from such farming operation, or incurred at least fifteen
143 thousand dollars in expenses related to such farming operation, with
144 respect to the most recently completed taxable year of such farmer prior
145 to the commencement of the assessment year for which such application
146 is made, on forms to be prescribed by the Commissioner of Agriculture.
147 Failure to file such application in said manner and form on or before the
148 first day of November shall be considered a waiver of the right to such
149 exemption for the assessment year. Any person aggrieved by any action
150 of the assessors shall have the same rights and remedies for appeal and
151 relief as are provided in the general statutes for taxpayers claiming to be
152 aggrieved by the doings of the assessors or board of assessment appeals.

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| This act shall take effect as follows and shall amend the following sections: | | |
| Section 1 | <i>January 1, 2026, and applicable to income and taxable years commencing on or after January 1, 2026</i> | New section |
| Sec. 2 | <i>October 1, 2025, and applicable to assessment years commencing on or after October 1, 2025</i> | 12-91 |

Statement of Purpose:

To establish a farm investment property tax credit and increase the property tax exemption amount of the assessed value of farm machinery.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]