



General Assembly

**Substitute Bill No. 7175**

January Session, 2025



**AN ACT ESTABLISHING A FARM INVESTMENT 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

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

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 Section 12-91 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025, and applicable to assessment years commencing on or after October 1, 2025*):

(a) All farm machinery, except motor vehicles, as defined in section 14-1, to the assessed value of [one hundred] two hundred fifty thousand dollars, any horse or pony that is actually and exclusively used in farming, as defined in section 1-1, when owned and kept in this state by, or when held in trust for, any farmer or group of farmers operating as a unit, a partnership or a corporation, a majority of the stock of which corporation is held by members of a family actively engaged in farm operations, shall be exempt from local property taxation; provided each such farmer, whether operating individually or as one of a group, partnership or corporation, shall qualify for such exemption in accordance with the standards set forth in subsection (d) of this section for the assessment year for which such exemption is sought. Only one such exemption shall be allowed to each such farmer, group of farmers, partnership or corporation. Subdivision (38) of section 12-81 shall not 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.

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

**FIN**            *Joint Favorable Subst.*