



PennState
Dickinson Law

Center for Agricultural
and Shale Law

Understanding Agricultural Law
Educational Program



Pennsylvania
Department of Agriculture
AG BUSINESS DEVELOPMENT CENTER

Understanding Agricultural Law Educational Program

Understanding the Basics of **PA Ag Exemptions for Inheritance Tax and Other Real Estate Transfers**

May 9, 2025





Understanding Agricultural Law

**A Legal Educational Series for General Practice Attorneys and Business
Advisors Representing Agricultural and Rural Clients**

This webinar series is specifically tailored to create subject matter literacy and competence on fundamental issues of agricultural law for attorneys, advisors, and service providers to agricultural producers and agri-businesses.





Understanding Agricultural Law Educational Program

Past Topics:

- Agricultural Labor Laws
- Leasing Farmland for Energy Development
- Local Land Use Regulation of Agriculture
- Statutory Protections for Ag Operations
- Agricultural Cooperatives
- Livestock Market Regulation
- Crop Insurance
- Federal & State Conservation Programs
- Licensing & Regulation of Direct Agricultural Product Sales
- Agricultural Finance
- PA's "Clean & Green" Tax Assessment Program
- Animal Confinement Laws
- Conservation Easements
- Landowner Immunity Statutes
- The Farm Credit System
- Milk Pricing
- Pesticides
- Seed Laws
- Fair Labor Standards Act (FLSA)
- Perishable Agricultural Commodities Act (PACA)
- Food Labeling

aglaw.psu.edu/understanding-agricultural-law/



Understanding Agricultural Law Educational Program

Upcoming programs from the Ag Law Center:

Understanding Agricultural Law Educational Program

Understanding the Basics of--

May 30, 2025—Migrant and Seasonal Agricultural Worker Protection Act

June 27, 2025—PA's Clean & Green Program: County-Level Administration

July 25, 2025—ADA Compliance for Agritourism Operations

Aug. 22, 2025—Foreign Agricultural Land Ownership Laws

Attorney CLE available

Register at <https://aglaw.psu.edu/understanding-agricultural-law/>

All events: <https://aglaw.psu.edu/events/>

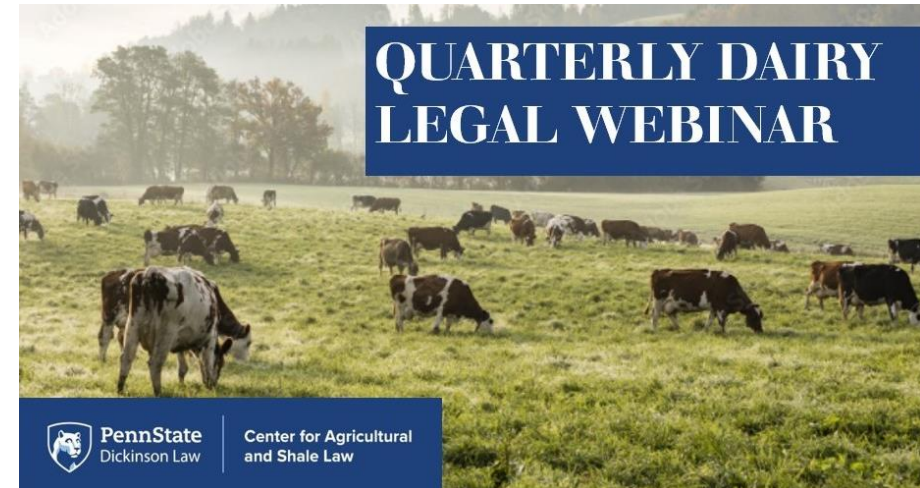


Upcoming programs from the Ag Law Center:

Quarterly Dairy Legal Webinar Series:

July 15, 2025—**2nd Quarter of 2025: 2025 Federal Milk Marketing Order Reforms**

Attorney CLE Available



Register at <https://aglaw.psu.edu/events/>



Upcoming programs from the Ag Law Center:

Partner Programs with the National Agricultural Law Center:

May 21, 2025—Navigating ADA Compliance for Agritourism Guests, *Center Staff Attorney Jackie Schweichler*

June 18, 2025—An Overview of State Grain Dealer Statutes in the United States, *Center Director Ross Pifer*



Register at <https://aglaw.psu.edu/events/>



Upcoming programs from the Ag Law Center:

Save the Date—Mark your calendar!

2025 Agricultural Law Symposium

Thursday, September 18, 2025

In-person at Penn State Dickinson Law, University Park

Lunch & refreshments provided

6 Attorney CLE Credits available

Registration available!

Register at <https://aglaw.psu.edu/events/>





Housekeeping

- This webinar is being recorded.
- Please use the Q&A feature for questions.
- Please fill out surveys.
- CLE credits:
 - Link to CLE form will be posted in the chat
 - Please fill out form ASAP
 - Listen for code word, enter code word in the form



Understanding Agricultural Law Educational Program

Understanding the Basics of **PA Ag Exemptions for Inheritance Tax and Other Real Estate Transfers**

May 9, 2025





Today's Presentation

- I. Brief Overview of Pennsylvania Inheritance Tax
- II. Agricultural Exemptions and Family-Owned Business Exemption to Inheritance Tax
- III. Beginning Farmer Tax Credit
- IV. Transfer Tax Exclusions
- V. Participant Comments – Application of Exemptions / Credits



Pennsylvania Inheritance Tax – Basics

- Pennsylvania Inheritance Tax return required for all decedents who have property subject to tax.
 - Filed by personal representative; OR
 - Filed by transferee of property, if no personal representative appointed or if property is not included on return.
- Must be filed within nine months of decedent's date of death.
 - Potential extension for additional six months



Pennsylvania Inheritance Tax – Basics

- Pennsylvania Inheritance Tax return is filed in County Register of Wills Office.
- Inheritance Tax Rates (since July 1, 2000):
 - Spouse – 0%
 - Transfers to/from Minor Child (21 or less) – 0%
 - Lineal descendants/ancestors – 4.5%
 - Siblings – 12%
 - Other beneficiaries – 15%



Understanding Agricultural Law Educational Program

Pennsylvania REV-1500 – Resident Decedent

REV-1500 (EX) MOD 08-24 (FI)

Decedent's Social Security Number

→ Decedent's Name:

RECAPITULATION

- | | |
|--|----|
| 1. Real Estate (Schedule A) | 1. |
| 2. Stocks and Bonds (Schedule B) | 2. |
| 3. Closely Held Corporation, Partnership, or Sole-Proprietorship (Schedule C) | 3. |
| 4. Mortgages and Notes Receivable (Schedule D) | 4. |
| 5. Cash, Bank Deposits, and Miscellaneous Personal Property (Schedule E) | 5. |
| 6. Jointly Owned Property (Schedule F) <input type="checkbox"/> Separate Billing Requested. | 6. |
| 7. Inter-Vivos Transfers & Miscellaneous Non-Probate Property (Schedule G) <input type="checkbox"/> Separate Billing Requested. | 7. |
| 8. Total Gross Assets (total Lines 1 through 7) | 8. |



Pennsylvania REV-1500 – Resident Decedent

9. Funeral Expenses and Administrative Costs (Schedule H)	9.	
10. Debts of Decedent, Mortgage Liabilities, and Liens (Schedule I)	10.	
11. Total Deductions (total Lines 9 and 10)	11.	
12. Net Value of Estate (Line 8 minus Line 11)	12.	
13. Charitable and Governmental Bequests/Sec. 2113 Trusts for which an election to tax has not been made (Schedule J).....	13.	
14. Net Value Subject to Tax (Line 12 minus Line 13).....	14.	



Pennsylvania REV-1500 – Resident Decedent

TAX CALCULATION - SEE INSTRUCTIONS FOR APPLICABLE RATES

15. Amount of Line 14 taxable
at the spousal tax rate, or
transfers under Sec. 2116
(a)(1.2) or (1.4)

--

X .0

--

15.

--

16. Amount of Line 14 taxable
at lineal rate

--

X .0

--

16.

--

17. Amount of Line 14 taxable
at sibling rate

--

X .12

17.

--

18. Amount of Line 14 taxable
at collateral rate

--

X .15

18.

--

19. **TAX DUE**

19.

--



PA Inheritance Tax – Agricultural Exemptions

- Business of Agricultural Exemption – 72 P.S. § 9111(s)
- Farmland Other Exemption – 72 P.S. § 9111(s.1)
 - Originally referred to as Farmland Commodities, Easements and Reserves Exemption by PA Department of Revenue
- Qualified Family-Owned Business Exemption – 72 P.S. § 9111(t)



PA Inheritance Tax – Agricultural Exemptions

- Act 85 of 2012
 - Sections 22 and 23 – established Business of Agriculture and Farmland Other exemptions
- Act 52 of 2013
 - Section 34 – established Family-Owned Business exemption
- Act 84 of 2016
 - Section 46 – amended above exemptions



PA Inheritance Tax – Farmland Other Exemption

- “A transfer of an agricultural commodity, agricultural conservation easement, agricultural reserve, agricultural use property or a forest reserve, as those terms are defined in [72 P.S. § 9122],
- to or for the benefit of lineal descendants or siblings is exempt from inheritance tax,
- provided the foregoing property is reported on a timely filed inheritance tax return.” – 72 P.S. § 9111(s.1)



PA Inheritance Tax – Farmland Other Exemption

- Agricultural commodity – “Any and all plant and animal products, including Christmas trees produced in this Commonwealth for commercial purposes.”
- Agricultural conservation easement – As defined in section 3 of the [Agricultural Area Security Law].”



PA Inheritance Tax – Farmland Other Exemption

- Agricultural reserve – “Noncommercial open space lands used for outdoor recreation or the enjoyment of scenic or natural beauty and open to the public for such use, without charge or fee, on a nondiscriminatory basis.”
- Agricultural use property – “Use of the land for the purpose of producing an agricultural commodity or when devoted to and meeting the requirements and qualifications for payments or other compensation pursuant to a soil conservation program under an agreement with a federal agency.”



PA Inheritance Tax – Farmland Other Exemption

- Forest reserve – “Land of ten acres or more that is stocked by forest trees or any size and capable of producing timber or other wood products.”



PA Inheritance Tax – Farmland Other Exemption

- “A transfer of an agricultural commodity, agricultural conservation easement, agricultural reserve, agricultural use property or a forest reserve, as those terms are defined in [72 P.S. § 9122],
- to or for the benefit of lineal descendants or siblings is exempt from inheritance tax,
- provided the foregoing property is reported on a timely filed inheritance tax return.” – 72 P.S. § 9111(s.1)



PA Inheritance Tax – Farmland Other Exemption

- Benefits:
 - Exemption with no ongoing reporting requirement
- Limitations:
 - May not cover all assets
 - Does not apply to structures, equipment, etc.
 - May not cover all “family” members
 - Only applies to lineal descendants and siblings



PA Inheritance Tax – Business of Agriculture Exemption

- “A transfer of real estate devoted to the business of agriculture
- To or for the benefit of members of the same family,
- provided that after the transfer the real estate continues to be devoted to the business of agriculture for a period of seven years beyond the transferor’s date of death
- and the real estate derives a yearly gross income of at least two thousand dollars (\$2,000) and the real estate is reported on a timely filed inheritance tax return . . .” – 72 P.S. § 9111(s.1)



PA Inheritance Tax – Business of Agriculture Exemption

- Business of agriculture:
 - Includes “the leasing to members of the same family or the leasing to a corporation or association owned by members of the same family of property which is directly and principally used for agricultural purposes.”



PA Inheritance Tax – Business of Agriculture Exemption

- Business of agriculture – does not include:
 - Recreational activities such as hunting, fishing, camping
 - Raising, breeding, or training of game animals, game birds, fish, cats, dogs
 - Fur farming
 - Stockyards and slaughterhouses
 - Manufacturing or processing operations



PA Inheritance Tax – Business of Agriculture Exemption

- Members of same family:
 - “Any individual, such individual’s brothers and sisters, the brothers and sisters of such individual’s parents and grandparents, the ancestors and lineal descendants of any of the foregoing, a spouse of any of the foregoing and the estate of any of the foregoing. Individuals related by the half blood or legal adoption shall be treated as if they were related by the whole blood. For a transfer made by a surviving spouse, the term shall include any individual considered to be a member of the same family of the decedent spouse.”



PA Inheritance Tax – Business of Agriculture Exemption

- Members of same family:
 - 2nd cousins
 - Ancestors and descendants
 - Second-to-die spouse to relatives of first-to-die spouse
 - Step-relatives?



PA Inheritance Tax – Business of Agriculture Exemption

- If not used in business of agriculture for seven years or if under income threshold:
 - Must pay inheritance tax that would have been due at date of death plus interest from date of death;
 - Tax on land no longer used in business of agriculture is a lien in favor of Commonwealth and is a personal obligation of owner at time of ineligibility event.



PA Inheritance Tax – Business of Agriculture Exemption

- Reporting requirement:
 - “Every owner of real estate exempt under this subsection shall certify to the department on an annual basis that the land qualifies for this exemption and shall notify the department within thirty days of any transaction or occurrence causing the real estate to fail to qualify for the exemption.”



PA Inheritance Tax – Business of Agriculture Exemption

- Reporting requirement:
 - PA Dept of Revenue will send certificate to property owner each January.
 - Certification is due by Feb. 15 of each year.



PA Inheritance Tax – Business of Agriculture Exemption

- “A transfer of real estate devoted to the business of agriculture
- between members of the same family,
- provided that after the transfer the real estate continues to be devoted to the business of agriculture for a period of seven years beyond the transferor’s date of death
- and the real estate derives a yearly gross income of at least two thousand dollars (\$2,000) and the real estate is reported on a timely filed inheritance tax return . . .” – 72 P.S. § 9111(s.1)



PA Inheritance Tax – Business of Agriculture Exemption

- Benefits
 - Broader coverage of real estate – residence and structures are generally covered under exemption
 - Broader definition of family
- Limitations
 - Ongoing reporting requirement
 - Minimum income threshold
 - Only applies to real estate



PA Inheritance Tax – Agricultural Exemptions

- 2016 legislative amendments:
 - Expanded “members of the same family” definition to include family of first-to-die spouse in transfers from second-to-die spouse;
 - Allow for transfers to trusts where all beneficiaries are qualifying family members.
 - Retroactive to 2012
 - Adds timely filing requirement




PA Inheritance Tax – Agricultural Exemptions

- Claiming an exemption:
 - Complete and submit REV-1197 Schedule AU (Agricultural Use Exemptions) as part of PA Inheritance Tax return
 - Attach “written statement explaining in detail how the real estate qualifies for the claimed exemption.”
 - Attach copy of county assessment card
 - Attach copy of deed



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PA Inheritance Tax – Agricultural Exemptions


REV-1500
(EX) MOD 08-24 (FI)

1505624105

**INHERITANCE TAX RETURN
RESIDENT DECEDENT**

OFFICIAL USE ONLY

County Code	Year	File Number

ENTER DECEDENT INFORMATION BELOW

ART

Social Security Number

Date of Death

MMDDYYYY

Date of Birth

MMDDYYYY

Decedent's Last Name

Suffix

Decedent's First Name

MI

(If Applicable) Enter Surviving Spouse's Information Below

Spouse's Last Name

Spouse's First Name

MI

Last Four Digits of Spouse's SSN

**THIS RETURN MUST BE FILED IN DUPLICATE WITH THE
REGISTER OF WILLS**

TYPE OF RETURN (only select one)

☐ Original Estate Return

☐ Supplemental Estate Return
(Only include items not previously reported)

☐ Individual-Transferee Return
(Individual reporting non-probate assets separate from the estate; Schedule F and G assets only)

☐ Remainder Return
(Date of death prior to 12/13/1982)

FILL IN ALL OVALS THAT APPLY

☐ 1. Decedent Died Testate
(Attach copy of Will)

☐ 2. Spouse is Sole Beneficiary
(With no Trust involved)

☐ 3. Litigation Proceeds Received

☐ 4. Federal Estate Tax Return Required

☐ 5. Agricultural Exemption
(Date of death after 6/30/2012)

☐ 6. Family-Owned Business Exemption
(Date of death after 6/30/2013)

☐ 7. Business Assets

☐ 8. Decedent Maintained Living Trust
(Attach copy of Trust)

☐ 9. Future Interest Compromise
(Date of death after 12/12/1982)

☐ 10. Deferral/Election of Spousal Trust

☐ 11. Total Number of Safe Deposit Boxes



PA Inheritance Tax – Agricultural Exemptions



REV-1197

BUREAU OF INDIVIDUAL TAXES
PO BOX 280601
HARRISBURG, PA 17128-0601

(EX) MOD 09-19 (FI)

SCHEDULE AU AGRICULTURAL USE EXEMPTIONS

Estate of:

File Number:

This schedule may be used only by estates of decedents dying on or after July 1, 2012.

Use this schedule to report a farm interest for which the estate claims an exemption from inheritance tax under 72 P.S. § 9111(s) or (s.1).

Attach the following information:

- Written statement explaining in detail how the real estate qualifies for the claimed exemption.
- Copy of the county assessment card.
- Copy of the deed.

CHOOSE EXEMPTION TYPE:

☐ **Business of Agriculture Exemption 72 P.S. § 9111(s)**

For Business of Agriculture Exemption, select the qualifying reasons below that apply and **complete all Sections on the form.**

Check all that apply: *If you have not checked all of the ovals, you may not qualify for the Business of Agriculture Exemption.*

- ☐ The parcel is being reported on a timely filed return. (See 72 P.S. § 9166)
- ☐ The parcel generates a gross income of at least \$2,000 annually.
- ☐ The parcel is not being leased to a non-qualifying third party.



PA Inheritance Tax – Agricultural Exemptions

CHOOSE EXEMPTION TYPE:

☐ **Business of Agriculture Exemption 72 P.S. § 9111(s)**

For Business of Agriculture Exemption, select the qualifying reasons below that apply and **complete all Sections on the form**.
Check all that apply: *If you have not checked all of the ovals, you may not qualify for the Business of Agriculture Exemption.*

- ☐ The parcel is being reported on a timely filed return. (See 72 P.S. § 9166)
- ☐ The parcel generates a gross income of at least \$2,000 annually.
- ☐ The parcel is not being leased to a non-qualifying third party.

☐ **Farmland Other Exemption 72 P.S. § 9111(s.1)**

For Farmland Other Exemption, select the category of exemption below and **complete Section I** only.
Select the appropriate category of exemption. *(For definitions of each category see instructions.)*

- ☐ Agricultural Commodity
 - ☐ Agricultural Conservation Easement
 - ☐ Agricultural Reserve
 - ☐ Agricultural Use Property
 - ☐ Forest Reserve
-



PA Inheritance Tax – Agricultural Exemptions

SECTION I		PROPERTY INFORMATION – ONLY ONE PARCEL PER FORM	
Parcel Identification Number:		Physical Location or Street Address:	
County	City	State	ZIP Code
Percentage of land to be exempted:	%	Percentage of structures to be exempted:	%
Date of death value of the land: \$		Date of death value of structures: \$	



PA Inheritance Tax – Agricultural Exemptions

SECTION II	
STRUCTURES Describe each structure that is being included as part of the Business of Agriculture Exemption.	
Structure Type	Qualifying Description

Important: Structures affixed to real estate that do not qualify for the exemption must be valued and reported on Schedule A, F or G of the Inheritance Tax Return, as appropriate.




PA Inheritance Tax – Family-Owned Business Exemption

- Qualified family-owned business interest
 - Fewer than 50 FTE employees
 - Assets less than \$5 million
 - Entity wholly owned by decedent and members of the same family
 - Has been in existence for five years prior to date of death
- Seven-year post-death compliance period



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PA Inheritance Tax – Exemptions


REV-1500
(EX) MOD 08-24 (F1)

1505624105

**INHERITANCE TAX RETURN
RESIDENT DECEDENT**

OFFICIAL USE ONLY

County Code	Year	File Number

ENTER DECEDENT INFORMATION BELOW

ART

Social Security Number

Date of Death

MMDDYYYY

Date of Birth

MMDDYYYY

Decedent's Last Name

Suffix

Decedent's First Name

MI

(If Applicable) Enter Surviving Spouse's Information Below

Spouse's Last Name

Spouse's First Name

MI

Last Four Digits of Spouse's SSN

**THIS RETURN MUST BE FILED IN DUPLICATE WITH THE
REGISTER OF WILLS**

TYPE OF RETURN (only select one)

☐ Original Estate Return

☐ Supplemental Estate Return
(Only include items not previously reported)

☐ Individual-Transferee Return
(Individual reporting non-probate assets separate from the estate; Schedule F and G assets only)

☐ Remainder Return
(Date of death prior to 12/13/1982)

FILL IN ALL OVALS THAT APPLY

☐ 1. Decedent Died Testate
(Attach copy of Will)

☐ 2. Spouse is Sole Beneficiary
(With no Trust involved)

☐ 3. Litigation Proceeds Received

☐ 4. Federal Estate Tax Return Required

☐ 5. Agricultural Exemption
(Date of death after 6/30/2012)

☐ 6. Family-Owned Business Exemption
(Date of death after 6/30/2013)

☐ 7. Business Assets

☐ 8. Decedent Maintained Living Trust
(Attach copy of Trust)

☐ 9. Future Interest Compromise
(Date of death after 12/12/1982)

☐ 10. Deferral/Election of Spousal Trust

☐ 11. Total Number of Safe Deposit Boxes



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pennsylvania
DEPARTMENT OF REVENUE

(EX+) MOD 04-19 (FI)

REV-571

BUREAU OF INDIVIDUAL TAXES
PO BOX 280601
HARRISBURG PA 17128-0601

SCHEDULE C-SB QUALIFIED FAMILY-OWNED BUSINESS EXEMPTION

ESTATE OF:

FILE NUMBER:

This schedule may be used only by estates of decedents dying on or after July 1, 2013.
Use this schedule to report a business interest for which you claim an exemption from inheritance tax under the qualified family-owned business exemption (72 P.S. §9111(t)).

Provide the following information in addition to Schedule C-SB. Failure to provide the following information may result in a denial of the exemption or a delay in processing.

- Attach a written statement explaining in detail how the business interest qualifies for the exemption.
- Attach all documents supporting the written statement, including the valuation of the net book value and business balance sheet.

SECTION I BUSINESS INFORMATION

Business Name		Business EIN	Date Established MM/DD/YYYY
Street Address		Number of Employees	
City		Net Book Value	
State	ZIP Code	Value at Date of Death (Under 72 P.S. § 9121)	

SECTION II OWNER INFORMATION

Provide the name and mailing address of all transferees of the business interest identified above (attach additional sheets if necessary):



PA Beginning Farmer Tax Credit

- Established through Act 65 of 2019
- Codified at 72 P.S. §§ 8801-H to 8807-H
- Provides a state income tax credit to seller or lessor of “agricultural assets” to qualifying beginning farmer.



PA Beginning Farmer Tax Credit – Key Definitions

- Agricultural assets – “agricultural land, livestock, facilities, buildings and machinery used for farming.”
- Beginning farmer:
 - Demonstrated experience in ag or related field
 - Income from agriculture for last ten or less years
 - Intends to provide majority of labor and management on farm
 - Written certification of beginning farmer status from DCED
 - Is not a partner, member, or shareholder of entity purchasing or leasing from



PA Beginning Farmer Tax Credit – Process

- Both the seller/lessor and beginning farmer must have the transaction certified by DCED to generate the tax credit.
- Beginning farmer can be certified by DCED prior to the transaction.
- Beginning farmer certification is for three years and recertification can extend time period.
- One beginning farmer can enter into multiple tax-generating transactions.



PA Beginning Farmer Tax Credit – Process

DCED-BFTC-001 (06/2020)



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT
TAX CREDIT DIVISION

BEGINNING FARMER TAX CREDIT CERTIFICATION

APPENDIX A

BEGINNING FARMER INFORMATION	
<i>To be completed by the person seeking qualified Beginning Farmer status</i>	
1. NAME:	
2. SPOUSE:	
3. ADDRESS:	
4. PHONE NUMBER:	5. EMAIL ADDRESS:

ELIGIBILITY REQUIREMENTS	
<input type="checkbox"/>	I hereby certify that I have experience in the agriculture industry or related field or other transferrable skills. Please include a form of supporting documentation including but not limited to Schedule F (Form 1040), receipts from the sale of agricultural commodities, certificates indicating farm apprenticeships, completed experience table (see below), etc.
<input type="checkbox"/>	I hereby certify that I have not received federal gross income from agricultural production for more than the 10 most recent taxable years.
<input type="checkbox"/>	I hereby certify that I intend to engage in agricultural production within the borders of this commonwealth and to provide a majority of the labor and management involved in that agricultural production.



PA Beginning Farmer Tax Credit – Process

Beginning Farmer Tax Credit Program				
List of Certified Beginning Farmers				
Name	County	Type of Farming	Approval Year	Certification Expiration
Joel Sensenig	Lebanon	Crop, Chicken	2022	2025
Darren Sensenig	Lebanon	Crop, Chicken	2022	2025
Jared Krantz	Lancaster	Crop, Livestock	2022	2025
Abner G. Fisher	Lancaster	Dairy, Crop	2022	2025
David Reiff	Union	Dairy, Crop	2022	2025
Walter Zimmerman	Lancaster	Dairy	2022	2025
Derek S. Meck	Lancaster	Livestock	2022	2025
Joshua D. Leidhecker	Lycoming	Crop, Organic, Livestock	2022	2025
Benjamin E. Lapp	Dauphin	Dairy, Crop	2022	2025
Amos Ray Zimmerman	Lancaster	Beef, Crop	2022	2025
Aaron S. Fisher, Jr.	Lancaster	Dairy	2022	2025
Michael P. Gross	Lehigh	Forestry	2022	2025
Aaron Beiler	Lancaster	Dairy	2022	2025
Joseph Martin	Bedford	Dairy, Beef	2022	2025
Henry S. Fisher	Lancaster	Dairy, Tobacco	2022	2025
Cody Lee Martin	Juniata	Dairy, Crop	2023	2026
Janelle Horst	Lancaster	Crops	2023	2026
Collin Bitts	Lancaster	Crop, Tobacco	2023	2026
Stephen Smiley	Lancaster	Crop, Livestock, Tobacco	2023	2026



PA Beginning Farmer Tax Credit – Process

- DCED works with PA Department of Revenue to issue the tax credit.
- Seller/lessor must be current on all state tax obligations.
- Tax credits are not refundable, transferrable, nor can they be carried forward.



PA Beginning Farmer Tax Credit – Amount of Credit

- For a sale – “five percent of the lesser of the sale price or the fair market value of the agricultural asset, up to a maximum of \$32,000;” or
- For a lease – “ten percent of the gross rental income in each of the first, second and third years of a rental agreement, up to a maximum of \$7,000 per year.”



PA Beginning Farmer Tax Credit – Program Authorization / Funding Level

- Program is statutorily authorized through 2029.
- Funding authorized at \$6 million annually [\$5 million in 2020] with unused funds carried forward.



PA Beginning Farmer Tax Credit – DCED Reporting

- Statute mandates that DCED provide a report to the General Assembly no later than Feb. 1, 2025 containing information including the following:
 - Background on beginning farmers
 - Number of tax credits
 - Geographic distribution of tax credits
 - Number and amount of disallowed tax credits
 - Number and amount of requests in excess of allocated funding



PA Beginner Farmer – Transfer Tax Exclusion

- Transfer tax exclusion for “for transfer of real estate that is subject to an agricultural conservation easement established under . . . the Agricultural Area Security Law to a qualified beginner farmer.”
- “Qualified beginner farmer” is defined very similarly to “qualified beginning farmer” under Beginning Farmer Tax Credit program.



PA Beginner Farmer – Transfer Tax Exclusion

- Transfer tax exclusion for “for transfer of real estate that is subject to an agricultural conservation easement established under . . . the Agricultural Area Security Law to a qualified beginner farmer.”
- “Qualified beginner farmer” is defined very similarly to “qualified beginning farmer” under Beginning Farmer Tax Credit program.



PA Beginner Farmer – Transfer Tax Exclusion

- Established under Act 13 of 2019.
- Codified at 72 P.S. § 8102-C.3(18)(vii)



Agriculture – Transfer Tax Exclusions

- (19) A transfer of real estate devoted to the business of agriculture to a family farm business by:
- (i) a member of the same family which directly owns at least seventy-five per cent of each class of the stock thereof or the interests in that family farm business;
or
 - (ii) a family farm business, which family directly owns at least seventy-five per cent of each class of stock thereof or the interests in that family farm business.
- (20) A transfer between members of the same family of an ownership interest in a real estate company or family farm business that owns real estate.



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Thank You!

QUESTIONS?

