NextGen
Annual Report

Nebraska Department of Agriculture
Beginning Farmer Tax Credit Act

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“Intentionally left blank”
## NextGen
### Board of Directors

**FY 2014 – 2015**
**July 1, 2014 – June 30, 2015**

<table>
<thead>
<tr>
<th>Name</th>
<th>Representing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greg Ibach</td>
<td>Director</td>
</tr>
<tr>
<td></td>
<td>Nebraska Department of Agriculture</td>
</tr>
<tr>
<td>Karla Bahm (Designee)</td>
<td>Beginning Farmer Program Administrator</td>
</tr>
<tr>
<td></td>
<td>Nebraska Department of Agriculture</td>
</tr>
<tr>
<td>Len Sloup</td>
<td>Acting Tax Commissioner</td>
</tr>
<tr>
<td></td>
<td>Nebraska Department of Revenue</td>
</tr>
<tr>
<td>John Stavick (Designee)</td>
<td>Research Division</td>
</tr>
<tr>
<td></td>
<td>Nebraska Department of Revenue</td>
</tr>
<tr>
<td>Brad Lubben</td>
<td>Agriculture Academic</td>
</tr>
<tr>
<td></td>
<td>Extension Agricultural Economist</td>
</tr>
<tr>
<td></td>
<td>University of Nebraska - Lincoln</td>
</tr>
<tr>
<td>Mark Graff</td>
<td>Agricultural Lender</td>
</tr>
<tr>
<td>Todd Reed</td>
<td>Producer, District 1</td>
</tr>
<tr>
<td>Melvin Valasek</td>
<td>Producer, District 2</td>
</tr>
<tr>
<td>Don Anthony</td>
<td>Producer, District 3</td>
</tr>
</tbody>
</table>

### Staff Members

| Joline Gordon | Staff Assistant |
# NextGen

**Board Meeting Dates and Attendees**

**FY 2014 – 2015**
*July 1, 2014 – June 30, 2015*

<table>
<thead>
<tr>
<th>Meeting Date</th>
<th>Members Attending</th>
<th>Guests Attending</th>
<th>Staff Attending</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 20, 2014</td>
<td>Don Anthony&lt;br&gt;Karla Bahm&lt;br&gt;Kimberly Conroy, Tax Commissioner&lt;br&gt;Mark Graff&lt;br&gt;Brad Lubben&lt;br&gt;Todd Reed&lt;br&gt;John Stavick&lt;br&gt;Melvin Valasek</td>
<td>Senator Jerry Johnson</td>
<td>Joline Gordon</td>
</tr>
<tr>
<td>December 16, 2014</td>
<td>Don Anthony&lt;br&gt;Karla Bahm&lt;br&gt;Mark Graff&lt;br&gt;Brad Lubben&lt;br&gt;Todd Reed&lt;br&gt;John Stavick&lt;br&gt;Melvin Valasek</td>
<td>Ralph Tate,&lt;br&gt;Holistic Management International&lt;br&gt;Bobbie Kriz-Wickham,&lt;br&gt;Nebraska Department of Agriculture</td>
<td>Joline Gordon</td>
</tr>
<tr>
<td>January 16, 2015</td>
<td>Don Anthony&lt;br&gt;Karla Bahm&lt;br&gt;Mark Graff&lt;br&gt;Brad Lubben&lt;br&gt;John Stavick&lt;br&gt;Melvin Valasek</td>
<td>Blake Johnson,&lt;br&gt;Attorney General’s Office&lt;br&gt;Bobbie Kriz-Wickham,&lt;br&gt;Nebraska Department of Agriculture</td>
<td>Joline Gordon</td>
</tr>
</tbody>
</table>
NextGen
Administrative Notes
FY 2014 – 2015
July 1, 2014 – June 30, 2015

The Nebraska Department of Agriculture (NDA) administers the Beginning Farmer Tax Credit Act, which was enacted in 1999. For 15 years the act was known as the Nebraska Beginning Farmer Program. To differentiate this program from other beginning farmer programs, NDA unveiled a new marketing campaign in September 2014. The program is now called NextGen. The transformation included a new logo, updated marketing materials, and an easier-to-navigate website. NDA unveiled the new look at Husker Harvest Days in Grand Island.

The program’s focus on the administration of the Beginning Farmer Tax Credit Act remains unchanged. The Act provides a beginning farmer or rancher benefits in the form of a personal property tax exemption and a Nebraska income tax credit for reimbursement of an approved financial management course. It also provides a Nebraska income tax credit to the landlord who rents to an eligible beginning farmer. The tax credit provides an incentive to the landlord who enters into a three-year lease with a beginning farmer or rancher.

Governor Pete Ricketts entered office in January 2015. Governor Rickett’s first Governor’s Ag Conference, held in Kearney in March, focused on “Building for Future Generations: Quality Succession/Transition Planning.” Transitioning the farm or ranch business from one generation to the next remains a key topic of discussion at conferences and events. NDA is committed to providing farmers with educational resources about succession planning by promoting and providing those resources through the NextGen website and through outreach efforts.

In 2015 Nebraska Legislative Bill 538 (LB 538) created an evaluation framework through performance audits for Nebraska’s tax incentive programs. The primary goal of the performance audit process is to provide information to lawmakers about how the tax incentives are benefiting Nebraska’s economy and meeting program goals. The anticipated timeframe for the Beginning Farmer Tax Credit Act audit is 2017 or 2018.

At the direction of the Board of Directors, NDA surveyed past NextGen participants to evaluate the program. This annual report includes a copy of the survey. Of the 165 beginning farmers selected for the phone survey, 87 (53%) responded. Respondents were eager to share their experiences. The overall results of the survey are encouraging; the program has been effective by providing beginners an opportunity to gain access to agricultural assets. Most notably, 99% of the respondents were still farming, 84% have been able to make farming their main profession, and 87% were still farming the same asset that was enrolled in the NextGen program.
NextGen utilizes the Beginning Farmer Tax Credit Act to help new producers get a head start in farming and ranching, while giving back to the farmers and ranchers who own agricultural assets.

Click below to find out how using the tax credit incentives can help Cultivate Your Legacy in Nebraska agriculture.

Hot Topics

- Deadlines are fast approaching for 2015 program benefits.
- Returning to the Farm workshop-offered by UNL Extension
- Monthly clinics and workshops.

Karla Bohm
NextGen
Nebraska Department of Agriculture
P.O. Box 94947
Lincoln, NE 68509-4947

800-446-4071
Contact us by email
Laws and Regulations
Annual Reports

Department of Agriculture
Nebraska.gov
Policies

http://www.nextgen.nebraska.gov/index.html
Apply now for the Personal Property Tax Exemption!

- Personal property used in production agriculture or horticulture, valued up to $100,000, may be tax exempt for the beginning farmer or rancher.

- Apply for an Eligibility Certificate by November 1st of the year preceding the year for which exemptions are sought.

- To claim an exemption of taxable tangible personal property, present the Eligibility Certificate and tax information to your County Assessor by December 31st for approval.

- The tax exemption may be received each year for three years.

For more information contact:
800.446.4071
karla.bahm@nebraska.gov
www.nextgen.nebraska.gov

NextGen
Nebraska Department of Agriculture
P.O. Box 94947
Lincoln, NE 68509-4947

Board of Directors
State Tax Commissioner
Lending Community Representative
Academia Representative
District 1 Producer
District 2 Producer
District 3 Producer
Nebraska Department of Agriculture Director

Tax Credits for Farmers & Ranchers
www.nextgen.nebraska.gov
Link to other beginning farmer programs - www.nebraskaorganicmatters.org

Nebraska Connections - visit www.nebraskaconnections.org to be added.

Ask your friends and neighbors, market yourself and network.

How do you find someone to work with?

Nebraska

2. Attach supplemental information as requested on the application and mail.

1. Complete an application form (available on the Nebraska website or call for a copy).

To apply:

Has participated in an approved financial management educational program.

Has farming or ranching experience or education.

Plans to farm or ranch full time.

Will provide the majority of the day-to-day physical labor and management.

Has less than $200,000 net worth.

Has farmed or ranched for less than ten of the past fifteen years.

Is a Nebraska resident.

Beginning Farmer or Rancher Eligibility Requirements

Beginning transition is between the two parties.

Planning workshops and the potential asset is included in a written succession plan to

Close relatives are eligible to receive a tax credit if the parties attend a succession

Nebraska tax credit.

An agricultural asset located within the state of Nebraska, who is eligible to receive a

Limited liability company, or other business entity existing in an ownership interest in

An asset owner must be an individual(s) or a trust, a partnership, corporation,

Asset Owner Eligibility Requirements

What is the tax credit for the

Exemption

apply for the Personal Property Tax

Plus the beginning farmer may

management class.

reimbursement for the fractional

Up to a $500 tax credit

farm or ranching.

year-to-year lease to get started in

A three-year lease rather than a

Farmer Receiving $6750 x 3 years = $20,250 total tax credits

$2500 x 5% = $125/year tax credit

$5000 x 10% = $500/year tax credit

$2500 x 10% = $250/year tax credit

Cash Rent:

Examples:

Three years.

Crop rent received each year for cash rent, or 15% of the value of the share

a

An eligible asset owner will receive a
NextGen Survey
March 2015

Unique Beginning Farmers

- 165 unique beginning farmers were selected whom had participated in the program with an asset owner wherein the three year lease expired by the year 2013
- 87 beginning farmers (53%) participated in the phone survey

<table>
<thead>
<tr>
<th>Category</th>
<th>Yes Responses</th>
<th>No Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Still Farming</td>
<td>86 Yes 99%</td>
<td>1 No 1%</td>
</tr>
<tr>
<td>Main Profession</td>
<td>73 Yes 84%</td>
<td>14 No 16%</td>
</tr>
<tr>
<td>Helpful</td>
<td>79 Yes 91%</td>
<td>8 No 9%</td>
</tr>
<tr>
<td>Recommend</td>
<td>87 Yes 100%</td>
<td>0 No 0%</td>
</tr>
<tr>
<td>Testimonial</td>
<td>33 Yes 38%</td>
<td>54 No 62%</td>
</tr>
</tbody>
</table>

Unique Cases

- A case is specific to a beginning farmer, the asset owner and a three year lease(s)
- There are 413 unique cases from program inception to survey date
- 279 unique cases were selected for the survey, 150 were surveyed (53%)
- 87 participants account for 150 cases; 28 beginning farmers (32%) had multiple cases
- Survey results for "probability of acquiring the ground" were based only on participants who had not acquired the ground
- In 18 of the 150 cases, the asset owner and beginning farmer are related
- In cases where the beginning farmer and asset owner are related, the percentage of "yes" answers to all questions was greater than or equal to survey results, with the greatest variation being in the "ability to acquire the ground" and "probability of acquiring the ground".

<table>
<thead>
<tr>
<th>Category</th>
<th>Yes Responses</th>
<th>No Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Same Ground</td>
<td>127 Yes 85%</td>
<td>23 No 15%</td>
</tr>
<tr>
<td>Acquire Ground</td>
<td>5 Yes 3%</td>
<td>145 No 97%</td>
</tr>
<tr>
<td>Probability</td>
<td>41 Yes 28%</td>
<td>104 No 72%</td>
</tr>
</tbody>
</table>
Below is a summary of comments received from survey participants. The overwhelming majority felt the program was very helpful. In most instances, when the three year lease ended and the relationship no longer continued, the beginning farmer acknowledged that the program still gave them an advantage to access the asset and an opportunity to grow their operation. A complete list of comments is available upon request.

HELPFUL FOR BEGINNING FARMER (79 total comments)
- Gave me the competitive edge and got my foot in the door.
- Personal Property Tax Exemption was helpful.
- Asset owner gave me a reduced cash rent rate.
- Relationship builder, continues to lease the same ground beyond the initial three year lease.
- Gave me the ability to grow my operation, rent additional ground and or purchase ground.
- Helped me become a fulltime farmer.
- Recommended the program to others.
- Was able to use the program in conjunction with FSA programs.
- Share crop arrangement helps benefit the tenant in volatile times.
- Succession/transition planning workshop was helpful.

HELPED OWNER MORE THAN BEGINNER (25 total comments)
- Program benefitted the landlord more than the beginner.
- Landlord came to rely on that credit and at the end of the three years wanted a cash rent equivalent to what he was receiving with the credit, which would have put the rent above the competitive market and not feasible for the tenant.
- Beginner felt used by the landlord, lost the lease after the tax credit expired.
- Was difficult to find landowners who were interested in the program.
- Some landowners did not want to rent under a 3-year lease, some did not want to be involved in a "government payout" program. Age of asset owner didn't make a difference in attitude.

CHALLENGES FOR THE BEGINNING FARMER (21 total comments)
- Dependent upon an off-farm job to make ends meet or a spouse's full-time job with benefits.
- Crop prices too low to make a living.
- Inputs have doubled.
- Cash rents too high.

PROGRAM IMPROVEMENT SUGGESTIONS (44 total comments)
- Net worth is too low.
- Better marketing and education.
- Increase the Personal Property Tax Exemption valuation.
- Provide an incentive to landowners who sell to a beginner (possibly a capital gains break).
- Help beginner find assets and asset owners.
- Grants to help beginners purchase equipment.
- Financial help for beginners.
- General education for beginners needed in marketing, transition/succession, business planning, and how to use and manage credit.
- Provide simple checklist for applicants to include deadlines.
- Application process is lengthy.
- Use county averages or insured figures for cash equivalents on share crop arrangements.
- Succession plan requirement a deterrent.
<table>
<thead>
<tr>
<th>Tax Year Participation</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Owners Receiving Tax Credit</td>
<td>216</td>
<td>244</td>
<td>187</td>
<td>159</td>
<td>164</td>
</tr>
<tr>
<td>Total Tax Credits Paid to Owners</td>
<td>$1,460,453</td>
<td>$1,385,531</td>
<td>$926,031</td>
<td>$842,864</td>
<td>$954,659</td>
</tr>
<tr>
<td>Average Tax Credit per Owner</td>
<td>$6,761</td>
<td>$5,678</td>
<td>$4,952</td>
<td>$4,952</td>
<td>$5,301</td>
</tr>
<tr>
<td># of Beg. Farmers Paying Rent</td>
<td>177</td>
<td>190</td>
<td>137</td>
<td>126</td>
<td>134</td>
</tr>
<tr>
<td>Total Rent Paid by Beg. Farmers</td>
<td>$10,950,931</td>
<td>$10,671,839</td>
<td>$6,991,484</td>
<td>$6,551,624</td>
<td>$7,641,412</td>
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<tr>
<td>Average Rent Paid per Beg. Farmer</td>
<td>$61,870</td>
<td>$56,168</td>
<td>$51,033</td>
<td>$51,033</td>
<td>$57,035</td>
</tr>
<tr>
<td>Applications Received</td>
<td>58</td>
<td>66</td>
<td>41</td>
<td>61</td>
<td>51</td>
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</tbody>
</table>
Beginning Farmer Tax Credit Program
Number of Cases Declared Eligible by County

July 01, 2014 - June 30, 2015

Monday, October 19, 2015

Total: 44
# NextGen

## Financial Report

**FY 2014 – 2015**

**July 1, 2014 – June 30, 2015**

<table>
<thead>
<tr>
<th>Account Code Description</th>
<th>Budgeted Amount</th>
<th>Year-To-Date</th>
<th>% of Budget</th>
<th>Variance-Favorable (Unfavorable)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>510000 Personal Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>511100 Permanent Salaries – Wages</td>
<td>$35,266.21</td>
<td>$23,915.82</td>
<td>67.82</td>
<td>$11,350.39</td>
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<tr>
<td>512100 Vacation Leave Expense</td>
<td></td>
<td>$1,863.88</td>
<td>0.00</td>
<td>($1,863.88)</td>
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<tr>
<td>512200 Sick Leave Expense</td>
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<td>$5,756.45</td>
<td>0.00</td>
<td>($5,756.45)</td>
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<tr>
<td>512300 Holiday Leave Expense</td>
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<td>$1,693.25</td>
<td>0.00</td>
<td>($1,693.25)</td>
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<tr>
<td>512500 Funeral Leave Expense</td>
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<td>$601.92</td>
<td>0.00</td>
<td>($601.92)</td>
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<tr>
<td>515100 Retirement Plans Expense</td>
<td>$2,636.95</td>
<td>$2,812.46</td>
<td>106.66</td>
<td>($175.51)</td>
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<tr>
<td>515200 FICA Expense</td>
<td>$2,683.20</td>
<td>$2,255.68</td>
<td>84.07</td>
<td>$427.52</td>
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<tr>
<td>515400 Life &amp; Accident Insurance Exp</td>
<td>$11.00</td>
<td>$11.17</td>
<td>101.55</td>
<td>($0.17)</td>
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<tr>
<td>515500 Health Insurance Expense</td>
<td>$11,013.00</td>
<td>$11,292.80</td>
<td>102.54</td>
<td>($279.80)</td>
</tr>
<tr>
<td>516300 Employee Assistance Program</td>
<td>$15.00</td>
<td>$0.00</td>
<td>0.00</td>
<td>$15.00</td>
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<tr>
<td>516500 Workers Comp Premiums</td>
<td>$363.00</td>
<td>$364.00</td>
<td>100.28</td>
<td>($1.00)</td>
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<tr>
<td><strong>510000 Personal Services Total</strong></td>
<td>$51,988.36</td>
<td>$50,567.43</td>
<td>97.27</td>
<td>$1,420.93</td>
</tr>
<tr>
<td><strong>520000 Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>521100 Postage Expense</td>
<td>$203.00</td>
<td>$330.34</td>
<td>162.73</td>
<td>($127.34)</td>
</tr>
<tr>
<td>521200 Com. Exp – Voice/Data</td>
<td>$541.00</td>
<td>$506.10</td>
<td>93.55</td>
<td>$34.90</td>
</tr>
<tr>
<td>521290 Com. Exp – Data only</td>
<td>$7.00</td>
<td>$7.34</td>
<td>104.86</td>
<td>($0.34)</td>
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<tr>
<td>521400 Data Processing Expense</td>
<td>$1,286.00</td>
<td>$1,192.89</td>
<td>92.76</td>
<td>$93.11</td>
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<tr>
<td>521500 Publication &amp; Print Expense</td>
<td>$10,021.00</td>
<td>$2,358.40</td>
<td>23.53</td>
<td>$7,662.60</td>
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<tr>
<td>522200 Conference Registration</td>
<td>$198.00</td>
<td>$0.00</td>
<td>0.00</td>
<td>$198.00</td>
</tr>
<tr>
<td>524744 Exhibit Space</td>
<td>$271.00</td>
<td>$70.75</td>
<td>26.11</td>
<td>$200.25</td>
</tr>
<tr>
<td>531100 Office Supplies Expense</td>
<td>$27.00</td>
<td>$36.81</td>
<td>136.33</td>
<td>($9.81)</td>
</tr>
<tr>
<td>532100 Non-Capitalized Equip PU</td>
<td>$2.00</td>
<td>$0.00</td>
<td>0.00</td>
<td>$2.00</td>
</tr>
<tr>
<td>534946 Promotional Supplies</td>
<td>$37.00</td>
<td>$236.46</td>
<td>639.08</td>
<td>($199.46)</td>
</tr>
<tr>
<td>538100 Vehicle &amp; Equip Supp Exp</td>
<td>$4.00</td>
<td>$0.00</td>
<td>0.00</td>
<td>$4.00</td>
</tr>
<tr>
<td>541100 Accounting &amp; Auditing Service</td>
<td>$75.00</td>
<td>$75.44</td>
<td>100.59</td>
<td>($0.44)</td>
</tr>
<tr>
<td>555200 Software – New purchases</td>
<td>$117.00</td>
<td>$0.00</td>
<td>0.00</td>
<td>$117.00</td>
</tr>
<tr>
<td>559100 Other Operating Exp</td>
<td>$5,879.37</td>
<td>$28.58</td>
<td>0.49</td>
<td>$5,650.79</td>
</tr>
<tr>
<td><strong>520000 Operating Expenses Total</strong></td>
<td>$18,668.37</td>
<td>$4,843.11</td>
<td>25.94</td>
<td>$13,825.26</td>
</tr>
<tr>
<td><strong>570000 Travel Expense</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>571100 Board &amp; Lodging</td>
<td>$221.00</td>
<td>$947.45</td>
<td>428.71</td>
<td>($726.45)</td>
</tr>
<tr>
<td>571600 Meals – Not Travel Status</td>
<td>$158.00</td>
<td>$199.94</td>
<td>126.54</td>
<td>($41.94)</td>
</tr>
<tr>
<td>572100 Commercial Transportation</td>
<td>$4.00</td>
<td>$0.00</td>
<td>0.00</td>
<td>$4.00</td>
</tr>
<tr>
<td>574500 Personal Vehicle Mileage</td>
<td>$1,090.00</td>
<td>$1,630.55</td>
<td>149.59</td>
<td>($540.55)</td>
</tr>
<tr>
<td>575100 Misc Travel Expense</td>
<td>$82.00</td>
<td>$120.00</td>
<td>146.34</td>
<td>($38.00)</td>
</tr>
<tr>
<td><strong>570000 Travel Expense Total</strong></td>
<td>$1,555.00</td>
<td>$2,897.94</td>
<td>186.36</td>
<td>($1,342.94)</td>
</tr>
<tr>
<td><strong>Budgeted Expenditures Total</strong></td>
<td>$72,211.73</td>
<td>$58,308.48</td>
<td>80.75</td>
<td>$13,903.25</td>
</tr>
</tbody>
</table>
NextGen
Outreach Activities
FY 2014 – 2015
July 1, 2014 – June 30, 2015

- Nebraska Farm Business Inc, Lincoln - July 1, 2014
- Nebraska Staff Training, Ashland – July 8-9, 2014
- Nebraska Ag Youth Institute Career Fair, Lincoln – July 10, 2014
- Farm Crisis Response Council – July 28, 2014
- Husker Harvest Days, Grand Island – September 9-11, 2014
- Nebraska College of Technical Agriculture Advisory Council Meeting, Curtis – September 12, 2014
- Farm Crisis Response Council, Lincoln – October 27, 2014
- Beginning Farmer and Rancher Development Meeting, Ashland – November 6, 2014
- Nebraska College of Technical Agriculture Career Fair, Curtis – November 6, 2014
- National Agriculture Bankers Conference, Omaha – November 10-11, 2014
- AgCeptional Women’s Conference, Norfolk – November 21, 2014
- Nebraska Power Farm Show, Lincoln – December 9-11, 2014
- Gage County Agri Business Show, Beatrice – January 20, 2015
- Farm Crisis Response Council, Lincoln – January 26, 2015
- Buffalo Bill Expo, North Platte – February 4-5, 2015
- Beginning Farmer and Rancher Development Meeting, Ashland – February 12, 2015
- Women in Ag Conference, Kearney – February 26-27, 2015
- Governor’s Ag Conference, Kearney – March 4-5, 2015
- Nebraska Sustainable Agriculture Society Farm Beginnings Class – March 28, 2015
- FFA Annual Convention, Lincoln – April 8-10, 2015
- Coalition of Agricultural Mediation Programs, Baltimore, MD – April 28-29, 2015