

GENERAL ASSEMBLY OF NORTH CAROLINA
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HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH40342-MHfa-71A

Short Title: Supporting Small Farmers for NC's Future Act. (Public)

Sponsors: Representative Jeffers.

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO SUPPORT SMALL FARMERS IN NORTH CAROLINA BY PROVIDING
3 GRANT FUNDING TO ENSURE THE FUTURE VIABILITY OF NORTH CAROLINA'S
4 FAMILY FARMS AND BY LOWERING THE INCOME REQUIREMENT FOR
5 QUALIFYING FARMERS FOR PURPOSES OF THE SALES TAX EXEMPTION FOR
6 FARMERS.

7 The General Assembly of North Carolina enacts:

8 **SECTION 1.** Findings and Purpose. – The General Assembly finds that decades of
9 barriers to entry, rising land prices, and economic consolidation has led to the loss of millions of
10 acres of land farmed by small farmers. The General Assembly further finds that financial
11 assistance through targeted grants can help address disparities and contribute to the long-term
12 success of small farmers. The purpose of this act is to support the viability and sustainability of
13 small farmers in North Carolina by providing financial assistance and tax relief to support these
14 farmers.

15 **SECTION 2.** Chapter 106 of the General Statutes is amended by adding a new
16 Article to read:

17 "Article 61B.

18 "Small Farmers Support Grant Program.

19 **"§ 106-748. Definitions.**

20 The following definitions apply in this Article:

- 21 (1) Commissioner. – The Commissioner of Agriculture and Consumer Services.
22 (2) Department. – The North Carolina Department of Agriculture and Consumer
23 Services.
24 (3) Eligible individual. – A resident of this State who meets all of the following
25 criteria:
26 a. Is at least 21 years of age.
27 b. Is a small farmer.
28 c. Had an annual income from farming operations for the preceding
29 taxable year of at least one thousand dollars (\$1,000) or more.
30 (4) Eligible purpose. – Any of the following:
31 a. Purchases of mechanized equipment for harvest and crop
32 management.
33 b. Farm infrastructure, including livestock fencing.
34 c. Food processing equipment.



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- (5) Small farmer. – A farmer with a gross cash farm income of three hundred thousand dollars (\$300,000) or less, as determined in a manner as the Department may specify.

"§ 106-749. Small Farmers Support Grant Program established.

(a) Program Established. – The Small Farmers Support Grant Program (Program) is established within the North Carolina Department of Agriculture to support current small farmers and to encourage the continued financial viability of those farmers in the field of agriculture. The Small Farmer Growth Fund (Fund) is established as a special revenue fund. The Fund shall consist of gifts, grants, and donations from non-State entities and General Fund appropriations for the support of the Program established by this Article. The Fund shall be used for the provision of grants to eligible individuals for essential inputs, equipment, and operational improvements to their farming operations.

(b) Grants. – Grants from the Fund are subject to the following procedures and restrictions:

(1) An eligible individual seeking a grant shall submit an application on a form and in a manner approved by the Commissioner that specifies one or more eligible purposes for the requested grant funding.

(2) The Commissioner may establish priorities for grants among all eligible individuals based on criteria that include farm size, income levels, and economic hardship, including lack of access to capital and operational support.

(3) The Commissioner may establish tiered maximum grant amounts based on financial hardship, demonstrated need, and other criteria the Department feels will maximize the ability of the Program to increase the long-term viability and sustainability of small farmers.

(c) The Department shall establish an advisory committee to monitor the Program's effectiveness and make recommendations for improvements.

(d) The Department shall adopt rules to carry out the provisions of this Article."

SECTION 3.(a) Funding. – The sum of twenty million dollars (\$20,000,000) in recurring funds for the 2025-2026 fiscal year is appropriated from the General Fund to the Department of Agriculture and Consumer Services for the Small Farmer Growth Fund to be allocated as follows:

(1) Twelve million dollars (\$12,000,000) to the Small Farmers Support Grant Program (Program) established in G.S. 106-749, as enacted by Section 2 of this act, for any eligible purpose of the Program.

(2) Three million dollars (\$3,000,000) to the Program to be used for grants for new or additional cold storage equipment for storage of fresh produce or meat.

(3) Four million dollars (\$4,000,000) to provide a grant to the Carolina Farm Steward Association for the FarmsSHARE program.

(4) One million dollars (\$1,000,000) to the Program, to be used to provide bridge loans to enable eligible farmers to participate in the Environmental Quality Incentives Program under the Natural Resources Conservation Service of the United States Department of Agriculture (NRCS EQIP). The Program will loan the money on terms that coincide with the NRCS EQIP grant contract, and loans must be paid directly back to the Program through an assignment of payment from NRCS EQIP.

SECTION 3.(b) The Department may retain up to one percent (1%) of the funds appropriated by this section for administrative costs related to the Program established by Article 61B of Chapter 106 of the General Statutes, as enacted by Section 2 of this act, and the other programs funded in subsection (a) of this section. The Department may establish up to two FTE positions in its Small Farmer Division to support these initiatives.

1 **SECTION 4.** Lower Income Threshold for Sales Tax Exemption. –
2 G.S. 105-164.13E reads as rewritten:

3 **"§ 105-164.13E. Exemption for farmers.**

4 (a) Exemption. – A qualifying farmer is a person who has either (i) an annual income
5 from farming operations for the preceding taxable year of ~~ten thousand dollars (\$10,000) or more~~
6 ~~or who has seven thousand five hundred dollars (\$7,500) or more~~ or (ii) an average annual income
7 from farming operations for the three preceding taxable years of ~~ten thousand dollars (\$10,000)~~
8 ~~seven thousand five hundred dollars (\$7,500) or more~~. For purposes of this section, the term
9 "income from farming operations" means sales plus any other amounts treated as gross income
10 under the Code from farming operations. A qualifying farmer includes a dairy operator, a poultry
11 farmer, an egg producer, and a livestock farmer, a farmer of crops, a farmer of an aquatic species,
12 as defined in G.S. 106-758, and a person who boards horses. A qualifying farmer may apply to
13 the Secretary for an exemption certificate number under G.S. 105-164.28A. The exemption
14 certificate expires when a person fails to meet the income threshold for three consecutive taxable
15 years or ceases to engage in farming operations, whichever comes first.

16 Except as otherwise provided in this section, the items exempt under this section must be
17 purchased by a qualifying farmer or conditional farmer and used by the qualifying or conditional
18 farmer primarily in farming operations. For purposes of this section, an item is used by a farmer
19 for farming operations if it is used for the planting, cultivating, harvesting, or curing of farm
20 crops, in the production of dairy products, eggs, or animals, or by a person who boards horses.
21 The items that may be exempt from sales and use tax under this section are:

22 ...

23 (b) Conditional Exemption. – A person who does not meet the definition of a qualifying
24 farmer in subsection (a) of this section may apply to the Department for a conditional exemption
25 certificate under G.S. 105-164.28A. A person with a conditional exemption certificate is allowed
26 to purchase items exempt from sales and use tax to the same extent as a qualifying farmer under
27 subsection (a) of this section. To receive a conditional exemption certificate under this
28 subsection, the person must certify that the person intends to engage in farming operations, as
29 that term is described in subsection (a) of this section, and that the person will timely file State
30 and federal income tax returns that reflect income and expenses incurred from farming operations
31 during the taxable years that the conditional exemption certificate applies.

32 A conditional exemption certificate issued under this subsection is valid for the taxable year
33 in which the certificate is issued and the following two taxable years, provided the person to
34 whom the certificate is issued is engaged in farming and provides copies of applicable State and
35 federal income tax returns to the Department within 90 days following the due date of an income
36 tax return for each taxable year covered by the conditional exemption certificate, including an
37 extension of the due date granted by the Secretary under G.S. 105-263. A conditional exemption
38 certificate issued under this subsection may not be extended or renewed beyond the original
39 three-year period; provided that a person may request a one-year extension of their conditional
40 exemption certificate if the person satisfies all of the following conditions:

41 ...

42 (3) The person provides the Department all of the following:

- 43 a. Documents showing that, but for the disaster, the person would have
44 earned ~~ten thousand dollars (\$10,000)~~ seven thousand five hundred
45 dollars (\$7,500) or more in gross sales for the year in which the
46 disaster occurred.

47 "

48 **SECTION 5.** This act becomes effective July 1, 2025. Section 4 of this act applies
49 to exemption certificates issued on or after that date.