

# Guidelines:

## Kentucky Selling Farmer Tax Credit (KSFTC) Program

October 2025

This fact sheet provides an overview of the Kentucky Selling Farmer Tax Credit (KSFTC) program. For the statutory program requirements, please see KRS 154.60-040. As with all Cabinet administered tax incentive programs, any incentives offered to an eligible applicant under the KSFTC program are negotiated by Cabinet for Economic Development officials and subject to approval by the Kentucky Economic Development Finance Authority (KEDFA).

The purpose of the Kentucky Selling Farmer Tax Credit program is to promote the continued use of Agricultural Land for Farming Operations by granting tax credits to Sellers who agree to sell Agricultural Land and Assets to eligible Buyers.

### Incentives

Sellers wanting to sell Agricultural Land and Assets may be eligible for a tax credit up to five percent (5%) of the of the selling price of qualifying Agricultural Assets, subject to a \$25,000 calendar year cap and \$100,000 lifetime cap for sales to Actively Engaged Farmers and a \$50,000 calendar year cap and \$200,000 lifetime cap for sales to Beginning Farmers. To be eligible for the tax credit, a Seller must complete an eligible Agricultural Assets sale with a Buyer. Tax credits awarded through this program may be claimed against the Kentucky individual income tax imposed by KRS 141.020, the corporation income tax imposed by KRS 141.040, and the limited liability entity tax imposed by KRS 141.0401. The tax credits are non-refundable, but unused credits may be carried forward up to five (5) years.

### Key Program Definitions

<b>Actively Engaged Farmer</b>	<ul style="list-style-type: none"><li>• If not required to register with the Kentucky Secretary of State, owner must be a legal resident of Kentucky;</li><li>• If a legal entity required to register with the Kentucky Secretary of State, must be registered and in good standing with the Kentucky Secretary of State;</li><li>• Makes a significant contribution (as defined in <a href="#">7 CFR § 1400.3</a>) of land, capital, and equipment to a Farming Operation;</li><li>• Provides active personal labor or management to a Farming Operation;</li><li>• Possesses all licenses, registrations and experience needed to legally operate a Farming Operation on Agricultural Land purchased from a Seller;</li><li>• Prior to entering into a sale of Agricultural Assets with a Seller, has no ownership interest in any of the Agricultural Assets included in the sale;</li><li>• Will provide a majority of the management and materially participate in a for-profit Farming Operation located in Kentucky and purchased from a Seller, with the intent to continue a for-profit Farming Operation on the purchased Agricultural Land for a minimum of ten (10) years after the Agricultural Assets sale date.</li></ul>
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<b>Agricultural Assets</b>	<ul style="list-style-type: none"> <li>• Includes, at a minimum, Agricultural Land appraised by an individual certified by the Kentucky Real Estate Appraisers Board;</li> <li>• May include agricultural buildings, facilities, machinery, equipment, and Agricultural or Horticultural Products, if owned by the same Seller of Agricultural Land, sold at the same time and in the same transaction as the purchased Agricultural Land, and purchased with the intent to be used on the purchased Agricultural Land;</li> <li>• Excludes personal residence and other residential structures;</li> <li>• Excludes Agricultural Assets that have previously been included in an approved application for KSFTC tax credits;</li> <li>• Excludes land which has, is, or will be used in the production of solar power for personal or commercial purposes.</li> </ul>
<b>Agricultural Land</b>	<ul style="list-style-type: none"> <li>• Land that is zoned and permitted (if required) for a Farming Operation located entirely in Kentucky, that meets at least one of the following two criteria:</li> <li>• A tract of land of at least ten (10) contiguous acres in area used for a Farming Operation for Agricultural Products; or A tract of land of at least five (5) contiguous acres in area for a Farming Operation for aquaculture or Horticultural Products.</li> </ul>
<b>Agricultural Products</b>	<ul style="list-style-type: none"> <li>• Livestock, livestock products, poultry, poultry products, milk, milk products, aquaculture, field and other crops, including timber if approved by KEDFA.</li> </ul>
<b>Beginning Farmer</b>	<ul style="list-style-type: none"> <li>• Meets all of the Actively Engaged Farmer requirements, and; No owners have previously held an ownership interest in Agricultural Land used for a Farming Operation for a period exceeding twenty (20) years prior to entering into an agreement to purchase Agricultural Assets from a Seller.</li> </ul>
<b>Buyer</b>	<ul style="list-style-type: none"> <li>• Either an Actively Engaged Farmer or a Beginning Farmer who completes an eligible sale of Agricultural Assets with a Seller.</li> </ul>
<b>Farming Operation</b>	<ul style="list-style-type: none"> <li>• The management and operation of Agricultural Assets for the purpose of pursuing a profitable commercial business venture to produce Agricultural Products, Horticultural Products, or both for sale;</li> <li>• Non-profit ventures, farms used primarily for storing Agricultural Products or Horticultural Products, and farms used to grow or raise Agricultural or Horticultural Products primarily for use by the Immediate Family Members or owner(s) of the Agricultural Assets are not eligible for this program.</li> </ul>
<b>Horticultural Products</b>	Orchards, fruits, vegetables, nuts, flowers, and ornamental plants.
<b>Immediate Family Member</b>	<ul style="list-style-type: none"> <li>• For this program, Immediate Family Member means any of the following in relation to the owner(s) or spouse of owner(s) of Buyer or Seller:</li> <li>• Parents and grandparents;</li> <li>• Children and their spouses;</li> <li>• Siblings and their spouses.</li> </ul>
<b>Seller (Owner of Agricultural Assets)</b>	<ul style="list-style-type: none"> <li>• Must be a taxpayer of Kentucky subject to Kentucky personal income tax, corporate income tax, or limited liability entity tax;</li> <li>• If a legal entity required to register with the Kentucky Secretary of State, must be registered and in good standing with the Kentucky Secretary of State;</li> </ul>

<b>Seller (continued)</b>	<ul style="list-style-type: none"> <li>• Prior to a sale of Agricultural Assets, is a small business with fifty (50) or fewer full-time employees, and is the sole legal owner of Agricultural Land and any other Agricultural Assets sold to a Buyer;</li> <li>• Does not include farm equipment dealers, livestock dealers, or similar entities primarily engaged in the business of selling Agricultural Assets for profit and not engaged in Farming Operations as its primary business activity;</li> <li>• Does not include banks or similar lending/financial institutions;</li> <li>• No owners, partners, members, shareholders, trustees, or spouses are Immediate Family Members of any of the owners, partners, members, shareholders, or trustees of the Buyer to whom the Seller is seeking to sell Agricultural Assets;</li> <li>• Demonstrates management and operation of real and personal property for the production of Agricultural Products or Horticultural Products;</li> <li>• Executes and effectuates a purchase contract to sell Agricultural Land with a Buyer for an amount evidenced by an appraisal;</li> <li>• Sells, conveys, and transfers ownership of related Agricultural Assets to a Buyer as evidenced by a recorded deed and any other documents required by KEDFA to determine tax credit eligibility.</li> </ul>
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### The Application Process

<b>Buyer (Actively Engaged Farmer or Beginning Farmer)</b>	<ul style="list-style-type: none"> <li>• Prior to entering into a sale of Agricultural Assets, review all Buyer and Agricultural Assets sale requirements to verify eligibility;</li> <li>• Must meet eligibility requirements as of the date Agricultural Assets are sold;</li> <li>• Submit a KSFTC Buyer application so that it is received by the Cabinet for Economic Development no later than twelve (12) months <u>after</u> the Agricultural Assets sale date (note: cannot submit application until after the Sale of Agricultural Assets occurs).</li> </ul>
<b>Seller (Owner of Agricultural Assets)</b>	<ul style="list-style-type: none"> <li>• Prior to entering into a sale of Agricultural Assets, review all KSFTC program requirements to verify eligibility of Buyer, Seller, and Agricultural Assets;</li> <li>• Must meet eligibility requirements as of the date Agricultural Assets are sold;</li> <li>• Execute and effectuate a purchase contract for a sale of Agricultural Assets;</li> <li>• Submit a KSFTC Seller application and supporting documentation so that it is received by the Cabinet for Economic Development no later than twelve (12) months <u>after</u> the Agricultural Assets sale to an eligible Buyer, and pay the application fee (note: cannot submit application until after the sale of Agricultural Assets occurs);</li> <li>• Subject to caps, applications are processed on a first-come, first-served basis until the tax credit allocation is exhausted;</li> <li>• If KSFTC tax credits are available and the application meets all eligibility requirements, the Seller's request for a tax credit will be presented at a KEDFA board meeting for approval;</li> <li>• If approved by KEDFA, the Seller will receive a tax credit confirmation letter and may begin claiming the non-refundable tax credit on the Kentucky tax return for the taxable year during which the credit was awarded;</li> <li>• Sellers desiring to obtain a tax credit that may first be claimed in the same year that the sale of Agricultural Assets occurs should consider submitting as early as possible during the year. The time required to process an application depends on the completeness of the application, including supporting</li> </ul>

<b>Seller (continued)</b>	documentation. Applications submitted late in the calendar year may not allow sufficient time for processing and KEDFA approval prior to year-end. Tax credit authorization is based on the date of KEDFA approval, not the application submission date.
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**Fees**

An application fee of \$500 must be submitted with the Seller application. The fee is non-refundable unless the application cannot be processed due to a lack of available tax credits. There is no fee for the Buyer application.

**Credit Caps**

The total combined allocation of tax credits available for both the Kentucky Selling Farmer Tax Credit program and the Kentucky Small Business Tax Credit program is three million dollars (\$3,000,000) per state fiscal year (July 1 – June 30). Both programs draw from the same tax credit pool. During the first six months of a fiscal year (July 1 – December 31), each program may award up to a maximum of one million, five hundred-thousand dollars (\$1,500,000) in tax credits.

If both programs award \$1.5 million in tax credits during the first six months of the fiscal year, the \$3 million program cap for the full fiscal year will have been met. No additional tax credits will be awarded until the next fiscal year begins.

If only one of the two programs reaches the \$1.5 million maximum in the first six months of the fiscal year, the program reaching the \$1.5 million limit will not be able to award any additional tax credits until the second half of the fiscal year. The program not reaching its \$1.5 million limit can continue awarding tax credits, up to \$1.5 million, through the end of the first six months of the fiscal year.

At the end of the first six months of the fiscal year, any remaining tax credits from both programs will be combined and made available during the last six months of the fiscal year (January 1 to June 30) to award through either program on a first-come, first-served basis until the \$3 million tax credit cap is reached. Any unused credits at the end of a fiscal year lapse and do not carry forward into the next fiscal year. A new \$3 million tax credit allocation to be shared between both programs becomes available at the beginning of each new fiscal year, subject to the Selling Farmer Tax Credit program sunseting on December 31, 2031. No new applications will be accepted or considered after that date.

**Applications**

Application forms are available at <https://newkentuckyhome.ky.gov/Entrepreneurship/KSFTC>. Applications, supporting documentation, and the application fee must be submitted to the Cabinet for Economic Development before a sale of Agricultural Assets can be evaluated for tax credit eligibility.

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