

SB24-152: Regenerative Agriculture Tax Credit

Senate Sponsors: Senator Cleave Simpson (R), Senator Dylan Roberts (D)

House Sponsors: Representative Karen McCormick (D)

What the bill does

This bill provides an income tax incentive to on-premise Colorado food and beverage businesses to purchase produce and animal products from local farms and ranches that are utilizing, or transitioning to, regenerative practices. The incentive would sunset after four years, by which time purchasing habits and relationships between local food producers and purchasers would be established.

Why it is important

By incentivizing F&B businesses to shift their purchasing power towards local, regenerative food, there would be a ripple effect of positive benefits like:

- Supporting our local farmers and ranchers by creating a higher market demand and reliable income
- Providing better nutrition and health for Colorado citizens who spend an average of 49% of their food budget eating/drinking out
- Benefitting F&B businesses via both a financial incentive and the ability to serve more local, regenerative food that customers are seeking (also creates a marketing advantage)
- Building and protecting soil health, biodiversity and the environment in Colorado
- Deepening community awareness and commitment around local food and creating strong business relationships within Colorado, both of which would keep more money in our home state

This bill strengthens current bills and initiatives that Colorado has already implemented showing that Colorado recognizes the importance of supporting soil health, such as:

- The Department of Agriculture's STAR (Saving Tomorrow's Agricultural Resources) program
- Community Food Access Programs
- Grant programs for farmers through non-profits like Zero Food Print

The crucial benefit of this bill is that it creates a demand for products coming from farmers and ranchers focused on soil health, thus improving the health and resilience of our citizens, communities and environment.



James Ranch in Durango, CO

Supporting Local Colorado Farmers and Ranchers

Local farmers and ranchers contribute significantly to healthy local economies, particularly in Colorado's rural communities. However, the current paradigm incentivizes industrial agriculture, making it difficult for farmers and ranchers to transition to regenerative agriculture. In this paradigm, the majority of the F&B industry has come to rely on industrially produced food because it is lower in cost and more accessible.

A tax incentive to stimulate demand from the F&B industry would help stabilize cash flow, via things like crop-planning with the F&B industry, which would increase profitability and encourage new agrarians to enter the field. The average age of U.S. farmers is over 58 years old, and this incentive would be helpful in ensuring the future vitality and growth of local agriculture. An additional concern that this bill could positively impact is the rate of suicide among rural farmers, which is 3.5% higher than the general population due in part to financial pressures, inconsistent cash flow, and the difficulties of maintaining neutral or marginal profitability. [1]

Promoting Better Health and Nutrition for Colorado Communities

Regenerative farming and ranching supply our communities with food that is healthier and more nutritious. With people spending 49% of their food budget eating out, having these businesses source more regeneratively grown products would have a beneficial ripple effect as people eat healthier, more nutrient-dense foods. According to the Bionutrient Food Association, you would have to eat 6 potatoes grown in dead soil to equal the nutrient-density of 1 potato grown in healthy soil, 15 industrial grapes to equal the nutrient-density of 1 regenerative grape, and 5 servings of kale to get the nutrient-density of kale grown in healthy soil. In *Against All Grain*, Danielle Walker says that grass-fed meat and dairy are higher in antioxidants, beta-carotene, and vitamin D than grain-fed, feedlot cattle. [2]

The National Heart, Lung, and Blood Association says, “increased intake of foods with high nutrient-density can help to break the intergenerational cycle of malnutrition and obesity,” and an NHLBI-funded study attributes \$50 billion a year in healthcare costs to bad eating habits resulting in cardio-metabolic diseases such as heart disease, stroke and type 2 diabetes. Chronic disease could cost Colorado \$34.2 billion in medical costs and an extra \$13.1 billion annually in lost employee productivity (average per year 2016-2030). [3]

Regenerating and Protecting Soil Health and the Environment in Colorado

Directing purchasing power via this F&B tax incentive to farmers and ranchers who are starting to utilize, or are currently utilizing, regenerative practices is crucial for the future of Colorado’s soil health. Healthy soil sequesters carbon and increases Soil Organic Matter (SOM). Each 1% of Soil Organic Matter equals an additional 20,000 gallons of water-holding capacity per acre of land. But over the last 150 years, many of the world’s prime agricultural soils have lost between 30% and 70% of their carbon, drying out and desertifying land, worsening erosion, drought and wildfires, and adding billions of tonnes of CO2 to the atmosphere.



Highwater Farm in Silt, CO

This plays a major role in the severity of storms and an unbalancing of our hydrologic cycles, both locally and globally. Colorado Public Radio reports that “the economic cost of the drought and wildfires in 2020 is between \$1 and \$2 billion for Colorado, according to the National Centers for Environmental Information... [Terry Fankhauser, Executive Vice President of the Colorado Cattlemen's Association] said that agriculture communities are bearing the brunt of the drying landscape and that by 2050 drought may cost agriculture \$511 million in damages annually in Colorado.” [4]

Regenerative agriculture restores, retains and creates Soil Organic Matter through methods such as holistic planned grazing, cover crops, low-to-no till, reducing/eliminating chemicals and synthetic fertilizers, and diversification. This in turn helps to boost Colorado's resiliency and offsets the negative effects of climate change by sequestering carbon, retaining and building water resources, and creating more healthy local water cycles. As a result, Colorado's vulnerability decreases in regards to wildfires, drought, erosion and intense storms.

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How the Bill Works

Food and beverage industry purchasers will receive a tax incentive on verified local, regeneratively produced agricultural products. The Department of Agriculture would use current CDA soil health verification programs and contract with third-party verifiers (e.g. ROC, WFCF, Land to Market/EOV, ROP, etc.) to verify agriculture practices and ensure transparency. Proof of purchases would be submitted to the Department of Revenue.

[2] <https://againstallgrain.com/>

[3] <https://www.fightchronicdisease.org/states/colorado#:~:text=Chronic%20disease%20could%20cost%20Colorado,Chronic%20Disease%20in%20Another%20State>

[4] <https://www.cpr.org/2021/09/23/climate-change-drought-colorado-noaa/>