

Budget Unit Brief

FY 2017



Agricultural Land and Family Farm Property Tax Credits

Description

The Agricultural Land Property Tax Credit was established in 1946 to partially offset the school property tax burden on agricultural real estate. Current law allows a credit for school general fund taxes in excess of \$5.40 per \$1,000 of assessed value. Tracts of ten acres or more used for agricultural or horticultural purposes are eligible for the credit, excluding buildings or other structures. The county auditor determines the amount of the eligible Agricultural Land Property Tax Credit applicable to each taxpayer, and landowners are not required to file a claim. Beginning with FY 1995, an annual standing appropriation of \$39.1 million was established as the Agricultural Land Credit Fund. Of that amount, \$10.0 million is used for the Family Farm Property Tax Credit. If the standing appropriation is insufficient to fully reimburse all credits, then payments are prorated.

The Family Farm Property Tax Credit was established in 1990 to partially offset the school property tax on agricultural real estate owned by active farmers. Current law allows a credit for school General Fund tax in excess of \$5.40 per \$1,000 of assessed value. Generally, the Family Farm Property Tax Credit is only intended to apply to agricultural land with the owner actively engaged in farming that land. As with the Agricultural Land Property Tax Credit, tracts of 10 acres or more used for agricultural or horticultural purposes are eligible for the credit, excluding buildings or other structures. The landowner must file a claim for the credit before November 1 preceding the initial fiscal year for which the credit is claimed. After the first filing and approval, the owner is not required to file again in order to receive the credit. The county auditor determines the amount of eligible credit applicable to each taxpayer. Like the Agricultural Land Property Tax Credit, if the money available is insufficient to fully fund the total eligible credits, payments are prorated.

Funding

The Agricultural Land Property Tax Credit is funded by a \$39.1 million standing General Fund appropriation, and the Family Farm Property Tax Credit receives a \$10.0 million allocation from that fixed appropriation. In recent years, the standing appropriation has been capped at a lesser amount and the appropriation has been occasionally made from non-General Fund sources. When the available funding is insufficient to meet demand, the credits to the landowners are prorated. In FY 2013, the appropriation returned to the full \$39.1 million amount.

Related Statutes and Administrative Rules

Iowa Code chapter [426](#)
[701](#) Iowa Administrative Code chapter [80](#)

Revised September 5, 2016

More Information

Property Tax Credits, Department of Revenue: <http://www.iowa.gov/tax/taxlaw/PropertyTaxCredits.html>

Iowa General Assembly: <https://www.legis.iowa.gov/>

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