

## CHAPTER 117

### CUSTOM FARMING CONTRACT INCOME TAX CREDITS

H.F. 624

**AN ACT** increasing the number of years that a taxpayer may claim a custom farming contract tax credit under a contract executed by the holder of agricultural land and a qualified beginning farmer, and including effective date and retroactive applicability provisions.

*Be It Enacted by the General Assembly of the State of Iowa:*

Section 1. Section 16.81, subsection 5, Code 2015, is amended to read as follows:

5. The custom farming contract must provide that the taxpayer pay the qualified beginning farmer on a cash basis. The contract must be in writing for a term of not more than twelve twenty-four months. The total cash payment for each tax year that the tax credit is claimed must equal at least one thousand dollars.

Sec. 2. Section 16.81, subsection 10, Code 2015, is amended to read as follows:

10. a. A taxpayer shall not claim a custom farming contract tax credit unless a tax credit certificate issued by the authority under [this section](#) is included with the taxpayer's tax return for the each tax year for which the tax credit is claimed.

b. A taxpayer may submit a single application to the authority for the authority's review and approval of the issuance of a tax credit certificate for either one or two tax years as covered in the custom farming contract. The authority must review and approve an the application for a and each tax credit certificate as provided by rules adopted by the authority. The application must include a copy of the custom farming contract. Either or both parties as required by the authority shall notify the authority of any amendment to the contract or other material changes affecting the application or contract. The authority may require that the parties to the contract provide additional information as determined relevant by the authority. The information may include but is not limited to a list of all custom work completed and a verification of all payments made to the beginning farmer for each tax year that the tax credit may be claimed.

c. The authority may approve an application and issue a tax credit certificate to a taxpayer who has previously been allowed a tax credit under [this section](#) another application. The authority may require that the parties to the contract provide additional information as determined relevant by the authority. The authority shall review an application for a tax credit certificate which includes the renewal of a contract to determine that the parties to the renewed contract meet the same qualifications as required for an original application.

d. The authority shall not approve an application or issue a tax credit certificate to a taxpayer for an amount in excess of fifty thousand dollars. In addition, the authority shall not approve an application or issue a tax credit certificate to a taxpayer if any of the following applies:

e. (1) The taxpayer is at fault for terminating another custom farming contract, as determined by the authority.

b. (2) The taxpayer is party to a pending administrative or judicial action, or classified as a habitual violator in the same manner as provided in [section 16.80](#).

e. (3) The contract amount is substantially higher or lower than the market rate for a similar custom farming contract, as determined by the authority.

Sec. 3. EFFECTIVE UPON ENACTMENT. This Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 4. RETROACTIVE APPLICABILITY. This Act applies retroactively to January 1, 2015, for tax years beginning on or after that date.

Approved June 18, 2015