

FILED FEB 08 2006

WAYS & MEANS

SENATE FILE

2181

BY BOLKCOM, KREIMAN, HATCH,  
DVORSKY, HANCOCK, SCHOENJAHN,  
KIBBIE, CONNOLLY, and RIELLY

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

**A BILL FOR**

1 An Act providing an exemption from property taxation for  
2 agricultural land used in organic agricultural production and  
3 providing an applicability date.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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WAYS & MEANS

SF 2181

1 Section 1. Section 427.1, Code Supplement 2005, is amended  
2 by adding the following new subsection:

3 NEW SUBSECTION. 35. CERTIFIED ORGANIC LAND. Agricultural  
4 land used in the production of organic agricultural products.  
5 A person owning land which qualifies for a property tax  
6 exemption under this subsection shall apply to the county  
7 assessor not later than February 1 of the first year for which  
8 the exemption is requested. The application shall be made on  
9 forms prescribed by the department of revenue. The  
10 application shall be accompanied by a certificate issued by  
11 the department of agriculture and land stewardship certifying  
12 that the production methods used on the land meet the  
13 requirements of the Iowa organic program under chapter 190C or  
14 the requirements of the United States department of  
15 agriculture under the national organic program as defined in  
16 section 190C.1.

17 Each year the assessor shall verify with the department of  
18 agriculture and land stewardship that the organic land  
19 certification is in good standing. The assessor shall also  
20 conduct an annual inspection of the land to verify that  
21 organic crop or livestock production is taking place. If it  
22 appears that organic crop or livestock production has not  
23 occurred at any time during the calendar year preceding the  
24 assessment year, the assessor shall notify the landowner that  
25 the land will not receive an exemption under this subsection  
26 for the assessment year. The owner may seek review of the  
27 assessor's decision with the county board of supervisors. If  
28 organic certification is revoked, the land is subject to  
29 taxation from the earlier of the date of revocation or the  
30 date the complaint was filed, or the inspection conducted,  
31 that resulted in revocation. If organic certification is  
32 withdrawn, the land is subject to taxation from the earlier of  
33 the date of withdrawal or the date the complaint was filed, or  
34 the inspection conducted, that resulted in withdrawal of  
35 certification.

1 For purposes of this subsection, "land" includes the area  
2 of a buffer zone, windbreak, or hedgerow, all of which are  
3 maintained for the purpose of keeping organic production  
4 separate from nonorganic production.

5 Sec. 2. STATE FUNDING OF TAX CREDITS AND EXEMPTIONS --  
6 INAPPLICABILITY. The provisions in section 25B.7, relating to  
7 the obligation of the state to reimburse local jurisdictions  
8 for property tax credits and exemptions, do not apply to  
9 section 427.1, subsection 35, as enacted in this Act.

10 Sec. 3. APPLICABILITY DATE. This Act applies to  
11 assessment years beginning on or after January 1, 2007.

12 EXPLANATION

13 This bill provides a property tax exemption for  
14 agricultural land certified as organic land by the Iowa  
15 department of agriculture and land stewardship.

16 The bill provides that the provision in Code section 25B.7  
17 that requires the state to fund reimbursement for property tax  
18 credits and exemptions does not apply to the exemption  
19 provided in the bill.

20 The bill applies to assessment years beginning on or after  
21 January 1, 2007.

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**Fiscal Services Division**  
**Legislative Services Agency**  
**Fiscal Note**

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SF 2181 - Organic Farming Property Tax Exemption (LSB 5743 SS)  
Analyst: Dwayne Ferguson (Phone: (515) 281-6561) ([dwayne.ferguson@legis.state.ia.us](mailto:dwayne.ferguson@legis.state.ia.us))  
Fiscal Note Version - New  
Requested by Senator Joe Bolckcom

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**Description**

Senate File 2181 makes agricultural land certified as organic land by the Iowa Department of Agriculture and Land Stewardship exempt from property taxes for assessment years beginning after January 1, 2007. The Bill provides that the State mandate provision in Section 25B.7, Code of Iowa, does not apply.

**Assumptions**

1. There are approximately 100,000 acres of agricultural land certified as organic, all of which is assumed to be subject to the rural property tax levy.
2. The value per acre is \$675 which takes into account the productivity factor, yielding a taxable value of \$67.5 million.
3. The FY 2006 consolidated rural tax rate is \$26.50 per \$1,000 of taxable valuation. The Statewide Foundation Property Tax rate (Uniform Levy and Additional Levy combined) is \$10.41.
4. The Uniform Levy is \$5.40. The reduction in Uniform Levy revenues from the property tax exemption will be offset by a corresponding increase in State Foundation Aid for the affected school districts. The Additional Levy property tax rates will be adjusted upward to offset the valuation reduction and raise the same required revenues for the affected school districts.
5. To the extent that local taxing authorities are not at their limits, property tax rates will be increased to offset the decrease in taxable valuation.

**Fiscal Impact**

The property tax exemption in Senate File 2181 could reduce revenues for those local entities levying property taxes, except for school districts, by an estimated maximum \$1.1 million annually. This amount may be offset by increased property tax rates for those entities not at their taxing limit.

State Foundation Aid will increase by an estimated \$365,000 to offset the reduction in Uniform Levy revenues. Additional Levy rates will increase to continue to raise \$338,000 per year.

**Sources**

Iowa State Association of Counties  
Iowa Department of Agriculture and Land Stewardship

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/s/ Holly M. Lyons

February 22, 2006

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

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