Regulatory Analysis

Notice of Intended Action to be published: 265—Chapter 44
"Iowa Agricultural Development Programs"

Iowa Code section(s) or chapter(s) authorizing rulemaking: 16.5(1)*"r"*

State or federal law(s) implemented by the rulemaking: Iowa Code chapter 16, subchapter VIII, and sections 16.4A, 16.4B, and 16.5D

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

November 4, 2025	1963 Bell Avenue
2:30 to 2:45 p.m.	Des Moines, Iowa

Public Comment

Any interested person may submit written comments concerning this Regulatory Analysis, which must be received by the Economic Development Authority (Authority) no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

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Iowa Economic Development Authority
1963 Bell Avenue, Suite 200
Des Moines, Iowa 50315
Email: lisa.connell@iowaeda.com

Purpose and Summary

Pursuant to Executive Order 10, the Authority proposes to rescind Chapter 44 and adopt a new Chapter 44 in lieu thereof. The chapter describes the policies and procedures applicable to the beginning farmer loan program, beginning farmer loan participation program, and beginning farmer tax credit program (programs) administered by the Authority.

Analysis of Impact

1. **Persons affected by the proposed rulemaking:**

- **Classes of persons that will bear the costs of the proposed rulemaking:**

Beginning farmers and agricultural asset owners interested in applying for the programs will bear the costs of the rulemaking.

- **Classes of persons that will benefit from the proposed rulemaking:**

Beginning farmers and agricultural asset owners interested in applying for the programs will benefit from the rulemaking.

2. **Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:**

- **Quantitative description of impact:**

Entities and individuals interested in applying for certification may require staff time to complete an application. Entities and individuals that receive loans or tax credits through the programs may similarly incur costs to comply with reporting and monitoring requirements. Some applicants and recipients may choose to rely on an external service provider such as an accountant to complete these tasks. The amount of the costs will vary depending on the compensation of staff or service providers

involved. Loan applicants pay a $100 application fee, due at the time an application is submitted to the authority. A fee is also assessed equal to 1.5 percent of the amount of a loan, due at the time of loan closing. Tax credit applicants pay application fees based on the number of acres and years of application.

- **Qualitative description of impact:**

The beginning farmer loan program assists new farmers in acquiring agricultural land, machinery, equipment, buildings, breeding livestock or making farm improvements. The loan participation program assists farmers in securing down payment assistance for agricultural purchases. The beginning farmer tax credit program offers an incentive to asset owners for leasing their agricultural land, machinery, equipment, buildings or livestock to beginning farmers.

3. **Costs to the State:**

- **Implementation and enforcement costs borne by the agency or any other agency:**

Authority staff time is required to review and approve applications, issue tax credit certificates, disburse loan funds, review reports, and communicate with program applicants and recipients.

- **Anticipated effect on State revenues:**

The rules have no anticipated impact on State revenues. Up to $12 million total in tax credits may be authorized by the Authority for the beginning farmer tax credit program each fiscal year. The beginning farmer loan program is funded through tax-exempt conduit bonds (aggie bonds). The program receives 21 percent of Iowa's volume cap to be used for beginning farmers. The loan participation program is funded through the Rural Rehabilitation Trust Fund, which is held and administered by the Authority.

4. **Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:**

Only entities and individuals that will potentially benefit from the program bear the costs of the rulemaking. The costs to the State to administer the program are proportional to the activities supported.

5. **Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:**

The Authority has not identified any less costly methods or less intrusive methods for administering the programs.

6. **Alternative methods considered by the agency:**

- **Description of any alternative methods that were seriously considered by the agency:**

The Authority did not consider any other methods.

- **Reasons why alternative methods were rejected in favor of the proposed rulemaking:**

The Authority did not consider any other methods.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.
- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

The rulemaking impacts only small businesses seeking to benefit from the programs. The rules regarding compliance and reporting requirements are no more stringent than necessary to implement the purposes of the programs. The rules do not establish schedules or deadlines. The rules do not establish design or operational standards.

Text of Proposed Rulemaking

ITEM 1. Rescind 265—Chapter 44 and adopt the following **new** chapter in lieu thereof:

CHAPTER 44
IOWA AGRICULTURAL DEVELOPMENT PROGRAMS

265—44.1(16) Definitions.

"Agricultural assets" means the same as defined in Iowa Code section 16.58.

"Agricultural development board" or *"IAD board"* means the agricultural development board created in Iowa Code section 16.2C.

"Agricultural improvement" means the same as defined in Iowa Code section 16.58.

"Agricultural land" means the same as defined in Iowa Code section 16.58.

"Agricultural lease agreement" or *"agreement"* means the same as defined in Iowa Code section 16.77.

"Application" means a completed instrument on a form approved by the authority.

"Authority" means the Iowa finance authority created in Iowa Code section 16.1A.

"Beginning farmer" means the same as defined in Iowa Code section 16.58.

"BFLP" means beginning farmer loan program established pursuant to Iowa Code chapter 16, subchapter VIII, part 6, subpart A.

"BFLP beginning farmer" means a beginning farmer who also meets the requirements of a first-time farmer as defined in Section 147(c) of the Internal Revenue Code.

"BFTC" means beginning farmer tax credit program established pursuant to Iowa Code chapter 16, subchapter VIII, part 6, subpart B.

"Bond purchaser" means any lender or any person who purchases an authority bond under the individual agricultural development bond program.

"Cash rent agreement" means an agreement whereby operation of agricultural assets is transferred via a fixed cash payment per annum.

"Commodity share agreement" means an agreement whereby operation of agricultural assets is transferred via a risk-sharing mechanism, whereby the agricultural assets owner receives a portion of the production as payment for use of the agricultural assets.

"Eligible taxpayer" means the same as defined in Iowa Code section 16.77.

"Farm" means a farming enterprise that is generally recognized as a farm rather than a rural residence.

"Farming" means the same as defined in Iowa Code section 16.58.

"Flex lease agreement" means an agreement that transfers operation of agricultural assets via a combination of fixed cash payments and, at times, additional payment based on production or other variables.

"Lender" means any regulated bank, trust company, bank holding company, mortgage company, national banking association, savings and loan association, life insurance company, state or federal governmental agency or instrumentality, or other financial institution or entity authorized and able to make mortgage loans or secured loans in this state.

"LPP" means loan participation program.

"LPP loan" means the "last-in/last-out" loan participation requested by the lender from the authority.

"Participated loan" means a loan or loans, any portion of which is shared with or sold to the authority by the lender.

"Person" means the same as defined in Iowa Code section 4.1(20).

"Qualified beginning farmer" means the same as defined in Iowa Code section 16.77.

"USDA" means the United States Department of Agriculture.

"USDA NASS" means the USDA's National Agricultural Statistics Service.

265—44.2(16) Maximum allowable net worth.

44.2(1) Pursuant to Iowa Code section 16.58(9), the authority will establish the maximum allowable net worth for each calendar year. The maximum allowable net worth shall be increased or decreased from the previous year by an amount equal to the percentage increase or decrease (September to September) in the USDA "Index of Prices Paid for Commodities and Services, Interest, Taxes, and Farm Wage Rates" reported as of October 1 of the immediately preceding calendar year. The maximum allowable net worth will be rounded to the nearest thousand dollars.

44.2(2) A beginning farmer's or BFTC beginning farmer's net worth will be established by determining total assets minus total liabilities as determined in accordance with generally accepted accounting principles with appropriate exceptions and exemptions reasonably related to an equitable determination of the net worth of the individual, partnership, limited liability company or corporation. Assets shall be valued at fair market value.

44.2(3) For the purposes of this rule, "total liabilities" means all liabilities, including but not limited to accounts payable, notes or other indebtedness owed, taxes, rent, amount owed on any real estate contract or real estate mortgage, judgments, accrued interest payable, and any other liabilities. Liabilities shall be determined on the basis of generally accepted accounting principles.

44.2(4) In only those cases where a beginning farmer's or BFTC beginning farmer's liabilities include an amount for deferred tax liability that causes the applicant's net worth to change from exceeding the maximum allowable net worth to an amount no greater than the maximum allowable net worth, the applicant is required to have a certified public accountant prepare the financial statement and provide supporting calculations and documentation acceptable to the IAD board.

44.2(5) For the purposes of this rule, "total assets" means all assets including but not limited to cash, crops or feed on hand, livestock held for sale, breeding stock, marketable bonds and securities, securities not readily marketable, accounts receivable, notes receivable, cash invested in growing crops, net cash value of life insurance, machinery, equipment, cars, trucks, farm and other real estate including life estates and personal residence, value of beneficial interest in a trust, government payments or grants, and any other assets. "Total assets" shall not include items used for personal, family or household purposes by the applicant; but in no event shall any property be excluded, to the extent a deduction for depreciation is allowable for federal income tax purposes. All assets shall be valued at fair market value by the lender. The value shall be what a willing buyer would pay a willing seller in the locality. A deduction of ten percent may be made from fair market value of farm and other real estate.

44.2(6) Notwithstanding the definition of "total assets" in subrule 44.2(5), the value of any retirement accounts will not be included as assets for the purposes of establishing a beginning farmer's or BFTC beginning farmer's net worth. For the purposes of this subrule, an account type identified in rule 701—302.47(422) will be considered a retirement account.

265—44.3(16) Beginning farmer loan program eligibility. A loan to or on behalf of a BFLP beginning farmer shall be provided only if the criteria in Iowa Code section 16.75(3) are satisfied. In the loan application, the beginning farmer must demonstrate to the satisfaction of the authority that the beginning farmer has or will have access to adequate working capital, farm equipment, machinery, or livestock.

265—44.4(16) Beginning farmer loan program.

44.4(1) *Individual agricultural development bond program description.* This program is intended to allow BFLP beginning farmers to obtain lower interest rate loans for qualified purposes by obtaining loan funds from the proceeds of a tax-exempt bond issued by the authority and purchased by the bond purchaser. The authority will enter into a loan agreement with the BFLP beginning farmer and assign that BFLP loan to the bond purchaser. At the same time, the authority will issue a tax-exempt bond in the amount of the BFLP loan, and the bond purchaser will purchase that bond, which is used to fund the BFLP loan assigned to the bond purchaser. The bond that is issued by the authority and purchased by the bond purchaser is a nonrecourse obligation. The only security for the bond purchaser is the underlying security on the assigned BFLP loan.

44.4(2) *Application procedures.* The BFLP beginning farmer may apply for a BFLP loan with any bond purchaser. Any BFLP loan approved will be assigned to that bond purchaser. BFLP loan eligibility is determined by the requirements of Iowa Code sections 16.75 and 16.76 and this chapter.

a. If a BFLP beginning farmer meets the BFLP loan eligibility requirements, the decision on whether to enter into the loan agreement is between the BFLP beginning farmer and the bond purchaser. The BFLP beginning farmer and bond purchaser must agree on the terms of the loan, such as interest rates, length of loan, down payment, service fees, origination charges and repayment schedule. The terms may not be more onerous than terms charged to similar customers for similar loans, taking into account the tax-exempt nature of interest on the BFLP loan.

b. Following completion of the BFLP loan application by the BFLP beginning farmer and approval by the bond purchaser, the BFLP loan application must be submitted to the authority for its review and approval.

c. The authority's review will include but not be limited to whether:

(1) The BFLP loan applicant is a BFLP beginning farmer;

(2) The BFLP loan proceeds will be used for a qualified purpose under Iowa Code sections 16.75 and 16.76, this chapter, and the Internal Revenue Code and IRS regulations relating to private activity bonds;

(3) The terms of the BFLP loan comply with these rules; and

(4) The bond purchaser is a lender or bond purchaser as defined in this chapter.

d. The authority may require that the bond purchaser furnish any information that the authority deems necessary to determine whether the bond purchaser qualifies as either a lender or bond purchaser. If the authority determines that the bond purchaser does not qualify as either a lender or bond purchaser, it may deny the application.

e. The authority may charge fees as needed to defray its costs for processing the BFLP loan and bond.

44.4(3) *Issuance of bond.* All bonds issued by the authority will conform to all applicable requirements of the United States Internal Revenue Code of 1986 as amended, and its regulations.

a. Public hearings may be held by a member of the IAD board or an appointee or employee of the authority.

b. Following approval of the BFLP loan by the authority, and upon completion of a public hearing and approval of the bond issuance by the governor or another elected state official designated by the governor, the authority will issue a bond, to be purchased by the bond purchaser, in the amount and fitting the terms of the BFLP loan to the BFLP beginning farmer. The principal and interest on the bond are a limited obligation payable solely out of the revenues derived from the BFLP loan to the BFLP beginning farmer and the underlying collateral or other security furnished by or on behalf of the BFLP beginning farmer. The bond purchaser shall have no other recourse against the authority. The principal and interest on the bond do not constitute an indebtedness of the authority or a charge against its general credit or general fund.

44.4(4) *Priority of applications.* Applications shall be processed by the authority on a first-come, first-served basis, based upon the receipt of all completed documents by the authority.

44.4(5) *Procedures following bond issuance.* No bond proceeds may be used for a nonqualified purpose or by a nonqualified user. Following disbursement of the bond proceeds, the bond purchaser

and BFLP beginning farmer may be required to certify to the authority that the proceeds were used by the BFLP beginning farmer for a qualified purpose.

44.4(6) *Assignment of BFLP loans by bond purchasers.* A bond purchaser may assign a BFLP loan in whole or in part to any person. Servicing of the BFLP loan may also be assigned. The authority must be notified in writing prior to assignment of the BFLP loan.

44.4(7) *Assumption of BFLP loans, substitution of collateral and transfer of property.* BFLP loans may not be assumed without the prior approval of the authority, and then only if the purchaser of the property is a BFLP beginning farmer. Equipment and other depreciable property may be exchanged or traded for similar property, and other property such as breeding livestock may be added or substituted as collateral at the discretion of the bond purchaser without the prior approval of the authority.

44.4(8) *Right to audit.* The authority shall have the right to audit the records of the bond purchaser and the BFLP beginning farmer relating to the BFLP loan and bond at any time to ensure that bond proceeds were used for a qualified purpose by a qualified user.

265—44.5(16) Loan participation program.

44.5(1) *Program summary.* The loan participation program is intended to assist lenders and beginning farmers by purchasing a portion of a loan made by a lender to a beginning farmer for the purchase of agricultural property.

a. Supplement to beginning farmer's down payment. The LPP loan can be used to supplement the beginning farmer's down payment so that the beginning farmer can more readily secure a participated loan from a lender.

b. Last-in/last-out collateral position. The program enables lenders to request a "last-in/last-out" LPP loan from the authority. The lender, on behalf of the beginning farmer, shall apply for the LPP loan on application forms provided by the authority.

c. Lender's certification. The lender and the beginning farmer shall certify that the information included in the application and any other documents submitted for consideration is true and correct to the best of their knowledge.

d. LPP loan in conjunction with BFLP loan. The loan participation program may be used in conjunction with the authority's beginning farmer loan program, provided the beginning farmer meets the criteria for both programs.

44.5(2) *Underwriting criteria.* Commercial underwriting criteria will be used as determined by the authority.

44.5(3) *Eligible projects and activities.*

a. Use of project. LPP loans must be for new purchases or new construction. Assets purchased or constructed with LPP loan funds must be used for agricultural purposes.

b. Agricultural land. The participated loan can be used for the purchase of agricultural land, which may include small acreages on which sufficient agricultural improvements are located to conduct a livestock operation. If a house is located on land for which an LPP loan is requested, an appraisal of the house will be made. If the appraised value of the house exceeds 50 percent of the appraised value of the property or total collateral, then the property will not be eligible for an LPP loan.

c. Agricultural improvements. The participated loan can be used for the construction or purchase of agricultural improvements, including but not limited to confinement systems for swine, cattle, or poultry; barns or other outbuildings; and grain storage facilities and silos.

d. Livestock used for breeding purposes. The participated loan can be used for the purchase of livestock if an income tax deduction for depreciation is allowed for such livestock in computing state and federal income taxes.

e. Machinery and equipment. The participated loan can be used for the purchase of agricultural machinery and equipment if an income tax deduction for depreciation is allowed for such machinery

and equipment in computing state and federal income taxes. Machinery and equipment purchased with the participated loan must be used in the beginning farmer's farming operation.

f. Interim financing by lender. Interim financing by the lender is allowed.

44.5(4) *Ineligible projects.* The following activities are ineligible for an LPP loan:

a. Refinancing of existing debt or new purchases that have been incurred by the borrower more than 60 days prior to approval of the LPP loan by the authority.

b. Financing personal or living expenses and working capital to purchase such items as feed, seed, fertilizer, fuel, and feeder livestock.

c. Financing a down payment for a contract sale, or in connection with a loan from a nonregulated lender.

44.5(5) *Program parameters.*

a. Purchase price impact. Maximum LPP loan amount and loan terms will be determined by the IAD board.

b. LPP interest rate. The IAD board will set the interest rate on the LPP loan.

c. LPP loans outstanding. Loans under the program may be issued more than once, provided that the outstanding LPP loan totals do not exceed the maximum amount set by the IAD board.

44.5(6) *LPP loan application.* Applications for LPP loans will include:

a. A financial statement, in a form acceptable to the authority, and any other information deemed necessary and appropriate to document the eligibility of the beginning farmer and the beginning farmer's ability to make principal and interest payments. If the beginning farmer or the beginning farmer's spouse is involved in a business, partnership, limited liability company, or corporation, either related or unrelated to the beginning farmer's farming operation, a financial statement from this entity must also be submitted with the application.

b. If available, copies of the beginning farmer's prior three years' federal income tax returns.

c. A letter documenting that the beginning farmer has sufficient training, experience and access to capital to the satisfaction of the authority.

44.5(7) *Application procedures.*

a. Credit evaluation. The lender will evaluate the beginning farmer's net worth and ability to pay principal and interest and certify the sufficiency of security for the participated loan. The authority will review the application and make its own credit evaluation prior to issuance of an LPP loan.

b. Processing LPP loan applications. Applications for the program will be accepted and processed by the authority on a first-come, first-served basis. The authority may cease accepting applications if the maximum allowable limit for total outstanding LPP loans is reached or the program is altered by the Iowa general assembly or by rules promulgated by the authority.

c. Security for participated loans and use of security documents. The lender shall take any security, cosignatures, guarantees or sureties that are deemed necessary by the authority for any participated loan. Any guarantee of repayment or pledge of additional collateral required by the lender to secure the participated loan shall secure the entire participated loan.

d. Recording documents and fees. Any recording or filing fees or transfer taxes associated with the participated loan will be paid by the beginning farmer or lender and not the authority. The authority will have no responsibility with respect to the preparation, execution, or filing of any declaration of value or groundwater hazard statements.

44.5(8) *Loan administration procedures.*

a. Lender's responsibilities. The lender is responsible for servicing the participated loan following accepted standards of loan servicing and for transferring LPP loan payments to the authority.

(1) At the request of the authority, the lender shall:

1. Provide the authority with copies of a current financial statement or a current tax return, or both, on an annual basis.

2. Provide copies of insurance to the authority with the lender named as loss payee.

(2) The lender shall not, without prior consent of the authority:

1. Make or consent to any substantial alterations in the terms of any participated loan instrument;

2. Make or consent to releases of security or collateral unless replaced with collateral of equal value on the participated loan;

3. Accelerate the maturity of the participated loan;

4. Sue upon any participated loan instrument;

5. Waive any claim against any beginning farmer, cosignor, guarantor, obligor, or standby creditor arising out of any instruments.

(3) The lender will apply payments to the participated loan according to the amortization schedule(s) approved by the authority or on a pro-rata basis.

b. Payment due dates. Payment due dates for the LPP loan will be the same as for the lender's share of the loan.

c. Prepayment penalty. There is no penalty for early repayment of principal or interest.

d. Repayment proceeds and collateral. Without limitation, the repayment of proceeds and collateral shall include rights of setoff and counterclaim, which the lender or the authority jointly or severally may at any time recover on any participated loan.

e. Subsequent loans. Any loan or advance made by a lender to a beginning farmer subsequent to the beginning farmer's obtaining an LPP loan under the program and secured by collateral or security pledged for the participated loan will be subordinate to the participated loan.

f. Events of loan default.

(1) Default will occur when the participated loan payment is 30 days past due. Notice to cure will be sent by the lender to the beginning farmer with a copy sent to the authority. The lender will take appropriate steps to cure the default through mediation, liquidation, or foreclosure if needed.

(2) After a participated loan is in default for a period of 30 days, the lender shall file monthly reports with the authority regarding the status of the participated loan.

(3) The authority may, anytime a participated loan is in default, purchase the unpaid portion of the participated loan from the lender including the note, security agreements, additional guarantees, and other documents. The authority would become the servicer of the participated loan if purchased.

g. Applying principal and interest payments. Lenders shall receive all payments of principal and interest. All payments made prior to liquidation or foreclosure shall be made according to the amortization schedule(s) approved by the authority or on a pro-rata basis. All accrued interest must be paid to zero at least annually on the anniversary date of the note.

h. Application of proceeds of loan liquidation. Application of proceeds of loan liquidation will be determined after a written liquidation plan is approved by the authority or the loan committee of the IAD board. All funds received from liquidation or foreclosure procedures shall be applied in the following order of priority:

First Priority: To the payment of the outstanding principal of and accrued interest on the lender's portion of the participated loan;

Second Priority: To the payment of the outstanding principal of and accrued interest on the authority's LPP loan;

Third Priority: To the payment on a pro-rata basis of all reasonable and necessary expenses incurred by the lender or the authority in connection with such liquidation or foreclosure procedures.

44.5(9) *Right to audit.* The authority shall have the right to audit records of the lender and the beginning farmer relating to any participated loan made under the program at any time.

265—44.6(16) Loan program fees. Applicants for both the BLFP and LPP shall pay the following fees:

1. A $100 application fee, due at the time an application is submitted to the authority.

2. A fee equal to 1.5 percent of the amount of a loan, due at the time of loan closing.

265—44.7(16) Beginning farmer tax credit program.

44.7(1) *Eligibility.*

a. Eligible taxpayer. Only eligible taxpayers that own agricultural assets included in an agricultural lease agreement are eligible for a tax credit. Pursuant to 701—subrules 302.87(3) and 302.88(3), an eligible taxpayer that elects to exclude all qualifying capital gains from the sale of real property used in a farming business and the sale of certain livestock or that elects to exclude net income pursuant to a farm tenancy agreement covering real property is not eligible for a tax credit.

b. Qualified beginning farmer. A beginning farmer must meet all of the criteria in Iowa Code section 16.79(2), be of majority age pursuant to Iowa Code section 599.1, and be legally able to enter into a contract to be eligible for participation in the beginning farmer tax credit program.

44.7(2) *Tax credit term.* The term of the credit shall begin in the crop year in which the authority board approves the award. The maximum term of the credit shall not exceed the term of the agricultural lease agreement.

44.7(3) *Application.*

a. The authority shall prepare and make available appropriate forms to be used in making application for the tax credit, including forms for both the taxpayer and the qualified beginning farmer.

b. Each application shall include but not be limited to the following:

(1) Taxpayer information: name, address, and social security number or tax identification number.

(2) Qualified beginning farmer information: name and address. In addition, the application shall have attached to it a copy of the qualified beginning farmer's current financial statement (generally prepared one month preceding application submission). The application will also include a background letter on the qualified beginning farmer documenting to the satisfaction of the authority that the beginning farmer has sufficient education, training, or experience in farming and has access to adequate working capital and production items.

(3) A copy of the agricultural lease agreement that conforms to the requirements in Iowa Code section 16.79A.

c. Complete applications shall be processed in the order they are received by the authority.

d. Authority staff will review applications for completeness and eligibility and make recommendations to the IAD board. The IAD board will review applications and recommendations from authority staff and make recommendations to the authority. Upon review of the recommendations of the IAD board, the authority will approve, defer, or deny each application.

e. Any applicant wishing to appeal a decision of the IAD board can appeal directly to the IAD board.

f. Upon submission of the application or a request to amend an agricultural lease agreement, the authority shall collect the application fee. The authority shall collect fees in the amounts based upon the acreage of the land that is the subject of the agreement and the length of the lease, as indicated in the chart below.

Application Fees Chart

	Length of Lease in Years			
Leased Acres	**2**	**3**	**4**	**5**
100 or fewer	$300	$350	$400	$450
101 to 250	$400	$450	$500	$550
251 or more	$500	$550	$600	$650

g. For an amendment to a previously approved agricultural lease agreement, an amendment fee of $100 shall be paid at the time the amendment is submitted. If the amendment includes additional acres, the application fee is based on the number of additional acres being rented and the years remaining on the lease, as indicated in the chart below.

Additional Acres Fee Chart

	Number of Years Remaining on Lease				
# of Additional Acres	**1**	**2**	**3**	**4**	**5**
100 or fewer	$250	$300	$350	$400	$450
101 to 250	$350	$400	$450	$500	$550
251 or more	$450	$500	$550	$600	$650

44.7(4) *Requirements of an agricultural lease agreement.*

a. The agricultural lease agreement must be in writing and signed by all parties and must meet all of the requirements in Iowa Code section 16.79A.

b. At the end of the approved agricultural lease agreement term, a new application must be submitted to the authority. For the purposes of this paragraph, an eligible taxpayer first participating in the beginning farmer tax credit program on or after January 1, 2019, for a tax year beginning on or after that date, may participate in the program for not more than 15 years.

c. An eligible taxpayer may apply and be approved to enter into agreements with different qualified beginning farmers.

44.7(5) *Changes to an agricultural lease agreement.*

a. The underlying lease for agricultural land may only be amended under the circumstances identified in Iowa Code section 16.70A(4)*"b."* If the eligible taxpayer and the qualified beginning farmer are amending an agricultural lease agreement but none of the conditions in Iowa Code section 16.70A(4)*"b"* apply, then the eligible taxpayer must submit a new application for a tax credit.

b. If an amendment to an agreement changes the total amount that will be paid to the eligible taxpayer under the agreement, the procedures in Iowa Code section 16.79A(4)*"c"* will apply.

c. Expiration of lease. Prior to the expiration of the lease, the qualified beginning farmer will continue to be eligible for the term of the lease. Upon expiration of the lease, both the taxpayer and qualified beginning farmer must reapply to continue the tax credit.

44.7(6) *Procedure for calculating tax credit awards.*

a. The authority will determine tax credit amounts as described in Iowa Code section 16.82(3).

b. To calculate the credit for a commodity share agreement, the authority will use the following assumptions:

(1) Fifty percent of the leased land is allocated to corn and 50 percent of the leased land is allocated to soybeans, unless the lease specifies a different allocation of corn and soybeans. If the lease specifies a different allocation of corn and soybeans, then the leased land will be allocated proportionally, in accordance with the terms of the lease.

(2) For all years of the lease, the prices used for corn and soybeans will be the average prices for the last five years excluding the highest and lowest prices based on the USDA-NASS statewide data calculated at the time the application is approved.

(3) For all years of the lease, the commodity yields used for corn and soybeans will be the past ten-year average per-bushel yields for the same county where the leased land is located excluding the years of highest and lowest per-bushel yields based on the USDA-NASS data calculated at the time the application is approved.

(4) If the lease specifies a crop other than corn and soybeans, the relevant price and yield data from USDA-NASS for that crop will be used.

c. To calculate the credit for a commodity share agreement, the authority will use the following formula: (1/2 acres leased multiplied by corn yield multiplied by corn price multiplied by percentage of owner's share multiplied by the BFTC commodity share tax credit percentage) plus (1/2 acres leased multiplied by soybean yield multiplied by soybean price multiplied by owner's share multiplied by the BFTC commodity share tax credit percentage) = the amount of the tax credit. If the lease specifies a different allocation of corn and soybeans, then the leased acres will be in accordance with the terms of the lease.

d. The amount of the tax credit for a flex lease agreement equals the sum of the following amounts:

(1) The portion of the lease that is based on rent will be calculated as a cash rent agreement.

(2) The portion of the lease that is based on crop yield will be calculated as a commodity share agreement.

(3) If the flexible or bonus portion of the lease is based on crop production, the annual yield used to calculate the bonus will be the yield defined in subparagraph 44.6(6)*"c"*(3). If the annual yield is above the yield needed to trigger the bonus, the taxpayer will be awarded additional tax credits. The formula for calculating the tax credit will be yield above lease bonus trigger multiplied by price multiplied by percentage of owner's share multiplied by the BFTC commodity share tax credit percentage.

(4) For other factors used in a flex lease agreement, the relevant data used will be the past ten-year average per-bushel yield for the same county where the leased land is located excluding the highest and lowest years based on the USDA-NASS data.

e. The amount of the tax credit shall be reduced by the percent ownership interest of the qualifying beginning farmer in the agricultural assets.

265—44.8(16) Violations of law. During the application process for the programs administered pursuant to this chapter, the authority will determine whether an applicant has a record of violations of the law that over a period of time tends to show a consistent pattern or that establishes intentional, criminal, or reckless conduct in violation of such laws. An applicant that has such a record of violations of the law will be ineligible for the programs.

265—44.9(16) References. References to the Internal Revenue Code in this chapter are as in effect on [effective date of rulemaking].

These rules are intended to implement Iowa Code sections 16.4A, 16.4B, and 16.5D and chapter 16, subchapter VIII.