

**9H.4 Restriction on increase of holdings — exceptions — penalty.**

1. A corporation, limited liability company, trust, or unincorporated nonprofit association, other than a family farm corporation, authorized farm corporation, family farm limited liability company, authorized limited liability company, family trust, authorized trust, revocable trust, testamentary trust, family farm unincorporated nonprofit association, or authorized unincorporated nonprofit association shall not, either directly or indirectly, acquire or otherwise obtain or lease any agricultural land in this state. However, the restrictions provided in this section shall not apply to the following:

a. A bona fide encumbrance taken for purposes of security.

b. Agricultural land acquired for research or experimental purposes. Agricultural land is used for research or experimental purposes if any of the following apply:

(1) Research and experimental activities are undertaken on the agricultural land and commercial sales of products produced from farming the agricultural land do not occur or are incidental to the research or experimental purposes of the corporation or limited liability company. Commercial sales are incidental to the research or experimental purposes of the corporation or limited liability company when such sales are less than twenty-five percent of the gross sales of the primary product of the research.

(2) The agricultural land is used for the primary purpose of testing, developing, or producing seeds or plants for sale or resale to farmers as seed stock. Grain which is not sold as seed stock is an incidental sale and must be less than twenty-five percent of the gross sales of the primary product of the research and experimental activities.

(3) (a) The agricultural land is used by a corporation or limited liability company, including any trade or business which is under common control, as provided in 26 U.S.C. § 414 for the primary purpose of testing, developing, or producing animals for sale or resale to farmers as breeding stock. However, after July 1, 1989, to qualify under this subparagraph division, the following conditions must be satisfied:

(i) The corporation or limited liability company must not hold the agricultural land other than as a lessee. The term of the lease must be for not more than twelve years. The corporation or limited liability company shall not renew a lease. The corporation or limited liability company shall not enter into a lease under this subparagraph subdivision, if the corporation or limited liability company has ever entered into another lease under this subparagraph (3), whether or not the lease is in effect. However, this subparagraph subdivision does not apply to a domestic corporation organized under chapter 504, Code 1989, or current chapter 504.

(ii) A term or condition of sale, including resale, of breeding stock must not relate to the direct or indirect control by the corporation or limited liability company of the breeding stock or breeding stock progeny subsequent to the sale.

(iii) The number of acres of agricultural land held by the corporation or limited liability company must not exceed six hundred forty acres.

(iv) The corporation or limited liability company must deliver a copy of the lease to the secretary of state. The secretary of state shall notify the lessee of receipt of the copy of the lease. However, this subparagraph division does not apply to a domestic corporation organized under chapter 504, Code 1989, or current chapter 504.

(b) Culls and test animals may be sold under this subparagraph (3). For a three-year period beginning on the date that the corporation or limited liability company acquires an interest in the agricultural land, the gross sales for any year shall not be greater than five hundred thousand dollars. After the three-year period ends, the gross sales for any year shall not be greater than twenty-five percent of the gross sales for that year of the breeding stock, or five hundred thousand dollars, whichever is less.

c. Agricultural land, including leasehold interests, acquired by a nonprofit corporation organized under the provisions of chapter 504, Code 1989, and current chapter 504 including land acquired and operated by or for a state university for research, experimental, demonstration, foundation seed increase or test purposes and land acquired and operated by or for nonprofit corporations organized specifically for research, experimental, demonstration, foundation seed increase or test purposes in support of or in conjunction with a state university.

d. Agricultural land acquired by a corporation or limited liability company for immediate or potential use in nonfarming purposes.

e. Agricultural land acquired by a corporation or limited liability company by process of law in the collection of debts, or pursuant to a contract for deed executed prior to August 15, 1975, or by any procedure for the enforcement of a lien or claim thereon, whether created by mortgage or otherwise.

f. A municipal corporation.

g. Agricultural land which is acquired by a trust company or bank in a fiduciary capacity or as trustee for a family trust, authorized trust or testamentary trust or for nonprofit corporations.

h. A corporation or its subsidiary organized under chapter 490 or a limited liability company organized under chapter 489 and to which section 312.8 is applicable.

i. Agricultural land held or leased by a corporation on July 1, 1975, as long as the corporation holding or leasing the land on this date continues to hold or lease such agricultural land.

j. Agricultural land held or leased by a trust on July 1, 1977, as long as the trust holding or leasing such land on this date continues to hold or lease such agricultural land.

k. Agricultural land acquired by a trust for immediate use in nonfarming purposes.

l. Agricultural land that is owned, leased, or otherwise held by an unincorporated nonprofit association on July 1, 2010, as long as the unincorporated nonprofit association continues to hold or lease such agricultural land.

2. A corporation, limited liability company, trust, or unincorporated nonprofit association, other than a family farm corporation, authorized farm corporation, family farm limited liability company, authorized limited liability company, family trust, authorized trust, revocable trust, testamentary trust, family farm unincorporated nonprofit association, or authorized unincorporated nonprofit association, violating this section shall be assessed a civil penalty of not more than twenty-five thousand dollars and shall divest itself of any land held in violation of this section within one year after judgment. The courts of this state may prevent and restrain violations of this section through the issuance of an injunction. The attorney general or a county attorney shall institute suits on behalf of the state to prevent and restrain violations of this section.

[C77, 79, 81, §172C.4]

89 Acts, ch 311, §23; 91 Acts, ch 172, §4

C93, §9H.4

93 Acts, ch 39, §7 – 13; 94 Acts, ch 1153, §4, 5; 2003 Acts, ch 108, §3 – 5; 2004 Acts, ch 1049, §191; 2004 Acts, ch 1175, §394; 2008 Acts, ch 1032, §116; 2008 Acts, ch 1162, §124, 154, 155; 2009 Acts, ch 41, §9; 2010 Acts, ch 1069, §3; 2010 Acts, ch 1112, §35 – 37

Referred to in §9I.3, 10.3, 10.5, 10.7, 10.10, 10B.7, 15E.207, 501.103

[P] Exception to restrictions for cooperative corporations organized under chapter 501; requirements; see §501.103