

16.82 Beginning farmer tax credit — allowance.

1. A beginning farmer tax credit is authorized under the beginning farmer tax credit program as provided in [section 16.78](#). The beginning farmer tax credit is allowed against the taxes imposed in [chapter 422, subchapter II](#), as provided in [section 422.11E](#), and in [chapter 422, subchapter III](#), as provided in [section 422.33, subsection 21](#), to facilitate the transfer of agricultural assets from an eligible taxpayer to a qualifying beginning farmer participating in the program.

2. An individual may claim a beginning farmer tax credit under [this section](#) of a partnership, limited liability company, S corporation, estate, or trust electing to have income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings from the partnership, limited liability company, S corporation, estate, or trust.

3. Subject to the limitations described in [subsections 5, 6, and 7](#), the authority shall determine the amount of the tax credit under an agreement using the following methods:

a. In the case of an agreement on a fixed basis, in which an eligible taxpayer receives a fixed cash rent payment, the amount of the tax credit equals five percent of the amount of the fixed cash rent payment for each year.

b. In the case of an agreement on a commodity share basis, in which an eligible taxpayer receives as a rent payment a percentage of the commodity produced, the amount of the tax credit shall equal fifteen percent of the gross amount that the eligible taxpayer would receive as a rent payment from the sale of the eligible taxpayer's share of the crop in each harvest year. The amount of the tax credit shall be based on an equation established by rule adopted by the authority which shall use data compiled by the United States department of agriculture, which shall include all of the following factors:

(1) The past ten-year average per bushel yield for the same type of grain as produced under the agreement in the same county where the leased agricultural land is located excluding the years of highest and lowest per bushel yields.

(2) The per bushel state price established for the same type of grain harvested as described in subparagraph (1). Price information shall be averaged from the past five years excluding the years of the highest and lowest per bushel state price.

c. In the case of an agreement made on a flexible basis in which an eligible taxpayer receives a rent payment consisting of a fixed cash payment and an amount subject to adjustment according to a risk-sharing arrangement, or receives a rent payment consisting of an amount subject to adjustment according to a risk-sharing arrangement, the amount of the tax credit equals the sum of the following amounts:

(1) To the extent that a portion of the amount of the rent payment is calculated on a fixed basis as described in paragraph "a", that portion of the tax credit equals five percent of the fixed cash payment in the same manner as provided in paragraph "a".

(2) To the extent that a portion of the amount of the rent payment is calculated on a commodity share basis as described in paragraph "b", that portion of the tax credit equals fifteen percent of the amount that the eligible taxpayer would receive from the sale of the eligible taxpayer's share of the commodity in the same manner as provided in paragraph "b".

(3) (a) To the extent that the amount of the rent payment may be adjusted after taking into account all risk-sharing factors provided in the agreement, that portion of the tax credit equals fifteen percent of the highest adjusted amount that the eligible taxpayer could receive in excess of the amounts calculated in subparagraphs (1) and (2) based on an equation adopted by rule by the authority.

(b) As used in subparagraph division (a), "risk-sharing factor" means an occurrence or lack of occurrence that may affect the commodity's production or profitability as provided in the agreement, and which may include but is not limited to production costs, per acre crop yield, gross revenue, or market price.

(c) The authority shall adopt rules establishing criteria for commonly used risk-sharing factors and adjustment limits.

4. The authority shall provide the department with data, in the format prescribed by the department, of eligible taxpayers and persons who have been decertified due to lease

termination or other cause of ineligibility by January 31 of each year. The data shall include the amount of the tax credit issued for the most recent year and all expected future tax credits under an agreement for each eligible taxpayer and the type of agreement.

5. The amount of tax credits that may be awarded to an eligible taxpayer for any one year under an agreement shall not exceed fifty thousand dollars.

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

7. A tax credit in excess of the eligible taxpayer's tax liability for the tax year is not refundable but may be credited to the tax liability for the following ten tax years or until depleted, whichever is earlier. A tax credit shall not be carried back to a tax year prior to the tax year in which the eligible taxpayer redeems the tax credit.

8. *a.* To claim a tax credit under [this section](#), an eligible taxpayer shall include one or more tax credit certificates with the eligible taxpayer's tax return pursuant to rules adopted by the department.

b. A tax credit shall not be transferable to any other person other than the eligible taxpayer's estate or trust upon the eligible taxpayer's death pursuant to rules adopted by the department.

9. If an agreement is terminated by the eligible taxpayer, all of the following shall apply:

a. Any tax credit properly claimed by the eligible taxpayer prior to the date of termination or for the year during which the termination occurred shall be allowed except as provided in paragraph "b", but no additional tax credits may be issued or claimed under the program for that agreement. The eligible taxpayer may apply for and be awarded another beginning farmer tax credit under a new agreement for the same agricultural assets as provided in [this section](#).

b. If the authority determines that the eligible taxpayer is at fault for the termination, any beginning farmer tax credit that is claimed by the eligible taxpayer for the year during which the termination occurred shall be disallowed and the amount shall be considered a tax payment due. If an eligible taxpayer does not notify the authority of the termination within thirty days of the date of the termination in the manner and form prescribed by the authority, the eligible taxpayer shall be conclusively deemed at fault for the termination.

[2019 Acts, ch 161, §11, 18, 19; 2020 Acts, ch 1062, §94; 2021 Acts, ch 177, §65, 67](#)

Referred to in [§16.77, 16.79A, 16.81, 16.82A](#)

Section applies retroactively to January 1, 2019, for tax years beginning on or after that date; 2019 Acts, ch 161, §19

2021 amendment to subsection 5 effective January 1, 2022; 2021 Acts, ch 177, §67

Subsection 5 amended