



Fiscal Note

Fiscal Services Division



[HF 2748](#) – Agricultural Programs and Activities (LSB5552HZ)

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Fiscal Note Version – New

Description

[House File 2748](#) relates to various agricultural programs and activities as well as tax changes.

The following divisions of the Bill have little or no fiscal impact:

- Division I — Renewable Fuel Infrastructure.
- Division II — Part A, Promotion.
- Division II — Part B, Choose Iowa Promotion Programs.
- Division II — Part C, Innovation and Revitalization Programs.
- Division III — Animal Health.
- Division IV — Regulation — Weights and Measures.
- Division V — Part A, Grain Dealers.
- Division V — Part B, Grain Operators.
- Division V — Part C, Grain Depositors and Sellers Indemnification.
- Division VI — Part B, Implements of Husbandry.
- Division VII — Agricultural Tourism.
- Division VIII — Land Use.

The following divisions of the Bill have a fiscal impact and are described in further detail below:

- Division VI — Part A, Milk Haulers.
- Division IX — Property Tax Exemption — Qualified Above Ground Storage Tanks.
- Division X — Excise Tax Elimination — Grain Handling.
- Division XI — Sales and Use Tax Exemption — Honeybees.
- Division XII — Income Tax Exemptions.

Division VI, Part A — Milk Haulers

Description

Part A of Division VI increases the maximum weight of the fluid milk products annual permit from 96,000 pounds to 136,000 pounds and requires the Department of Transportation (DOT) to establish administrative rules regarding the minimum distances for axle configurations for milk haulers.

Part A of Division VI takes effect January 1, 2027.

Background

Currently, a fluid milk permit is required for the operation of vehicles or combinations of vehicles transporting fluid milk products to or from a milk plant, receiving station, or transfer station,

exceeding the weight limit defined in Iowa Code section [321.463](#) but not exceeding a gross weight of 96,000 pounds. The fee for an annual fluid milk permit is \$400.

Assumption

The DOT will issue 200 additional annual fluid milk permits at \$400 each.

Fiscal Impact

There will be an increase in revenue to the Road Use Tax Fund of \$80,000 annually.

The DOT may experience some information technology (IT) costs related to updating its truck permitting system, but the impact would be minimal.

Division IX — Property Tax Exemptions — Qualified Above Ground Storage Tanks

Description

Division IX exempts an aboveground storage tank with a storage capacity of 91,000 gallons or less from property taxation, regardless of whether the tank is attached to or unattached from real property.

Division IX makes Iowa Code section [25B.7](#) (State funding of property tax credits and exemptions) inapplicable to the new exemption.

Division IX takes effect upon enactment. The change is retroactive and applies to assessment year (AY) 2026, with property taxes first due and payable in fiscal year (FY) 2028.

Background

Iowa Code section [427A.1](#) specifies that structures and improvements that are attached to land or buildings shall be considered real property and subject to property tax.

Personal property, by contrast, generally consists of property that is not permanently affixed to or attached to real estate. Iowa Code section 427A.1(1) defines personal property for purposes of property taxation as property other than real property. Historically, machinery and equipment used in business operations that are not permanently attached to the land have been treated as personal property rather than taxable real property.

The Iowa Department of Revenue's (IDR's) [Iowa Real Property Appraisal Manual](#) specifies how above ground storage tanks are to be assessed and valued by assessors. The portion that pertains to the assessment and value of above ground tanks begins with tank capacities as low as 1,000 gallons (133.7 cubic feet).

Iowa law also requires [annual registration](#) of above-ground storage tanks through the Iowa Department of Inspections, Appeals, and Licensing (DIAL) under Iowa Code chapter [455G](#). Tanks meeting statutory size and substance thresholds must report information including tank capacity and location. However, the DIAL registration is not designed for property tax administration purposes and does not identify whether a tank is assessed as real property or personal property.

The classification of certain above ground storage tanks for property tax purposes is currently the subject of litigation before the Iowa Supreme Court in *McDermott Oil Co. v. Dubuque County Board of Review*, No. [20-1619](#). The case involves the assessment of bulk storage tanks and

whether they constitute taxable real property improvements. As of the publication of this document, a final decision has not been issued.

Assessment practices for aboveground storage tanks may vary by county depending on factual determinations regarding attachment and improvement status.

Assumptions

- Iowa law currently includes an aboveground storage tank as real property and subject to property tax as long as the tank is not determined to be property that is “ordinarily removed when the owner of the property moves to another location.”
- Aboveground storage tanks are classified as commercial or industrial (C/I) property for property tax purposes.
- A review of 15 assessor areas in Iowa conducted by the Iowa State Association of Assessors determined that assessed aboveground storage tanks represent 0.48% of all the C/I value within those assessor areas. This percentage is assumed to apply to all 106 assessor areas within the State.
- The statewide total C/I taxed value for AY 2025 is \$60.563 billion. Aboveground storage tanks are assumed to represent 0.48% of that statewide amount, or \$261.8 million. Of this valuation, 90.6% is assumed to be 91,000 gallons or less and exempt.
- The statewide average C/I property tax rate for FY 2026 is \$37.70 per \$1,000 of taxed value. Of that \$37.70 tax rate, \$5.40 represents the school finance basic levy.
- By action of the State school aid formula, property tax exemptions increase the State General Fund appropriation to schools by \$5.40 per \$1,000 of exempted value.
- The preceding three assumptions combined result in the following fiscal impact, should the full value of all currently taxed aboveground storage tanks become exempt from property tax (beginning with FY 2027):
 - A projected decrease in annual property taxes owed by owners of aboveground storage tanks of \$10.9 million.
 - A projected increase in the annual State General Fund appropriation for school aid of \$1.6 million.
 - A projected decrease in annual local government property tax revenue of \$9.4 million.
- Division IX of the bill would allow tanks to qualify for property tax exemption that do not qualify under current law.

Fiscal Impact

Division IX of the Bill will increase the annual State General Fund appropriation for school aid and decrease annual local government property tax revenue. Division IX leaves in place the requirement that to qualify for the exemption, the aboveground tank must be property that is ordinarily removed when the owner of the property moves to another location. However, Division IX expands the existing exemption by allowing it to apply to all tanks 91,000 gallons or less.

If the enactment of this Bill results in a property tax exemption applicable to all aboveground storage tanks 91,000 gallons or less, the annual State General Fund appropriation for school aid is projected to increase \$1.6 million and annual local government property tax revenue is projected to decrease \$9.4 million. The annual fiscal impacts would begin with FY 2027.

Division X — Excise Tax Elimination — Grain Handling

Description

Division X of the Bill repeals the grain handling excise tax of one-fourth mil per bushel (\$0.00025 per bushel) upon all grain handled. Iowa Code section [25B.7](#) (State Funding of Property Tax Credits and Exemptions) is made inapplicable to this tax change. Division X of the Bill applies to tax years beginning on or after January 1, 2027.

Background

The grain handling tax was enacted in 1947 Iowa Acts, chapter [236](#) (Excise Tax on Grain Handling Act). The tax is paid to the local property tax system and distributed to local governments, such as cities, counties, and schools, in the same proportions as the tax on real property is distributed.

Grain is defined as wheat, corn, barley, oats, rye, flaxseed, field peas, soybeans, grain sorghums, spelts, and other products that are usually stored in grain elevators.

Handling is defined as the receiving of grain at or in each elevator, warehouse, mill, processing plant, or other facility in this State in which it is received for storage, accumulation, sale, processing, or for any purpose whatsoever.

Assumptions

- Taxes based on assessments for a given assessment year are credited in the fiscal year beginning in the subsequent calendar year.
- The amount of grain handled statewide in AY 2025 was 5.672 billion bushels. The amount of grain handled is assumed to remain steady over the forecast period.

Fiscal Impact

Division X of the Bill is estimated to decrease annual local government revenue by approximately \$1.4 million each fiscal year beginning in FY 2029.

Division XI — Sales and Use Tax Exemption — Honeybees

Description

Division XI of the Bill exempts the sale of honeybees from the sales and use tax. This Division is effective July 1, 2026 (FY 2027).

Background

The apiculture, or beekeeping, industry is comprised of establishments primarily engaged in the raising of bees. Apiculture products include honey, bees, royal jelly, bees' wax, propolis, venom, pollen, and other bee products.

Assumptions

- The volume of honeybee sales will not change during the projection period.
- The estimated taxable sales in the apiculture sector is estimated at less than \$350,000 annually.
- Honeybees account for 50.0% of taxable apiculture sales.
- The estimated value of purchases made exempt under the Bill is assumed to increase by 2.4% annually.

- Secure an Advanced Vision for Education (SAVE) refunds are 1.0% of taxable expenditures. Local Option Sales Tax (LOST) distributions are estimated to be 0.95% of taxable expenditures.

Fiscal Impact

Division XI of the Bill is estimated to decrease annual revenues to the General Fund, the SAVE Fund, and the LOST by the amounts in **Figure 1**.

Figure 1 — Division XI Fiscal Impact

	General Fund	SAVE	LOST
FY 2027	\$ -8,800	\$ -1,800	\$ -1,700
FY 2028	-9,000	-1,800	-1,700
FY 2029	-9,200	-1,800	-1,700
FY 2030	-9,400	-1,900	-1,800
FY 2031	-9,600	-1,900	-1,900

Division XII, Income Tax Exemptions — Part A, Farm Tenancies

Description

Part A of Division XII of the Bill allows the net income from a farm tenancy agreement for an entity taxed as a disregarded entity, a partnership for federal tax purposes, an S corporation, a trust, or an estate to be deducted from the net individual income tax for a retired farmer who materially participated in a farming business for 10 or more years.

Part A of Division XII of the Bill is effective for tax years beginning on or after January 1, 2027.

Background

Iowa Code section [422.7](#) details how net income is computed for federal income tax purposes with State adjustments. Farm tenancy income covering real property held by an individual for 10 or more years is eligible to be subtracted from net income for State tax purposes. Currently, Iowa Code section 422.7(14)(e) does not allow an entity taxed as a partnership for federal tax purposes, an S corporation, a trust, or an estate to deduct net income from a farm tenancy agreement for the net individual income tax. The Bill would remove this ineligibility.

Assumptions

- According to the Iowa Department of Revenue (IDR), Part A of Division XII of the Bill will require updating forms, changing administrative rules, and other related costs that cannot be estimated at this time due to lack of information and are not included in this **Fiscal Note**.
- Retired farmers aged 55 and older who receive farm income from partnerships will have received at least 10 years of farm income during their entire working lives and will be eligible for the deduction. According to the IDR, the total farm rental income from partnerships that is passed through to qualified retired farmers is estimated to be \$80.7 million in tax year (TY) 2022.
- Retired farmers who receive farm income from S corporations in 5 of the prior 10 tax years will have received at least 10 years of farm income during their entire working lives and will be eligible for the deduction. According to the IDR, the total farm rental income from S corporations that is passed through to qualified retired farmers is estimated to be \$27.4 million in TY 2022.
- Retired farmers who receive farm income from estates and trusts in 5 of the prior 7 tax years will have received at least 10 years of farm income during their entire working lives and will be eligible for the deduction. According to the IDR, the total farm rental income from estates

and trusts that is passed through to qualified retired farmers is estimated to be \$10.1 million in TY 2022.

- Qualified total farm rental income for the entities in this **Fiscal Note** is estimated to be \$132.9 million in TY 2027 and will grow annually to \$146.1 million by TY 2031.
- The average growth rate in qualified total farm rental income for entities from TY 2026 to TY 2031 is 2.4%.
- The marginal individual income tax rate per tax year is 3.80%.
- The fiscal impact of a tax year would be realized in the following fiscal year, with the first impact from Part A in FY 2028.
- The income tax rate is a flat 3.8% for all taxpayers.
- The [income surtax for schools](#) is a local option tax that is based on a taxpayer’s lowa income tax liability. Law changes that lower lowa income tax liability also lower the amount of income surtax owed by any taxpayer subject to the surtax. For this estimate, the surtax is assumed to equal 2.7% of State individual income tax liability.

Fiscal Impact

The proposed deductions from the individual income tax in Part A of Division XII are estimated to decrease net individual income tax liability and State General Fund revenue, and the decrease in tax liability is also estimated to decrease the statewide local option income surtax for schools as shown in **Figure 2**.

Figure 2 — Division XII, Part A Fiscal Impact

Fiscal Year	General Fund	Local Option Income Surtax
FY 2028	\$ -5,100,000	\$ -136,000
FY 2029	-5,200,000	-140,000
FY 2030	-5,300,000	-143,000
FY 2031	-5,400,000	-146,000
FY 2032	-5,500,000	-150,000

Division XII, Income Tax Exemptions — Part B, Veterinary Practice

Description

Part B of Division XII of the Bill allows a licensed veterinarian participating in the Rural Veterinarian Loan Repayment Program to deduct loan repayments from net income, up to \$15,000 per tax year and \$60,000 for all tax years combined. The deduction cannot exceed the amount of the outstanding eligible loan.

Background

The [Rural Iowa Veterinarian Loan Repayment Program](#) is administered by the Higher Education Division of the Iowa Department of Education (DE) and provides loan repayments for veterinarians who agree to practice in rural service commitment areas or veterinary shortage areas for at least four years. 2025 Iowa Acts, chapter [157](#) (FY 2026 Education Appropriations Act) appropriated \$700,000 from the General Fund to the Program.

Assumptions

- The first year of the deduction in Part B of Division XII is TY 2026 (FY 2027).
- According to the DE, there are approximately \$180,000 in new awards annually to 12 Rural Veterinarian Loan Repayment Program participants, averaging \$15,000 per awardee.

- There are 48 total participants in the Program at any given time, totaling \$720,000 in annual award payments.
- The total annual amount of income deducted is estimated to be \$720,000 annually.
- The income tax rate is a flat 3.8% for all taxpayers.
- The income surtax for schools is a local option tax that is based on a taxpayer’s Iowa income tax liability. Law changes that lower Iowa income tax liability also lower the amount of income surtax owed by any taxpayer subject to the surtax. For this estimate, the surtax is assumed to equal 2.7% of State individual income tax liability.

Fiscal Impact

The proposed deductions from the individual income tax in Part B of Division XII are estimated to decrease net individual income tax liability and State General Fund revenue by \$27,000 annually beginning in FY 2027.

The decrease in tax liability due to Part B of Division XII is also estimated to decrease the statewide local option income surtax for schools by less than \$1,000 annually.

Fiscal Impact Summary

Part A of Division VI will increase revenue to the Road Use Tax Fund by \$80,000 annually and may cause the DOT to incur IT costs related to updating their truck permitting system, but the impact will be minimal.

Division IX will increase the annual State General Fund appropriation for school aid by \$1.6 million and decrease annual local government property tax revenue by \$9.4 million beginning in FY 2027.

Division X will decrease annual local government revenue by approximately \$1.4 million annually beginning in FY 2029.

Division XI will decrease annual revenues to the General Fund, the SAVE Fund, and the LOST by the amounts in **Figure 3**.

Figure 3 — Division XI Fiscal Impact

	General Fund	SAVE	LOST
FY 2027	\$ -8,800	\$ -1,800	\$ -1,700
FY 2028	-9,000	-1,800	-1,700
FY 2029	-9,200	-1,800	-1,700
FY 2030	-9,400	-1,900	-1,800
FY 2031	-9,600	-1,900	-1,900

The proposed deductions from the individual income tax in **Part A of Division XII** are estimated to decrease net individual income tax liability and State General Fund revenue, and the decrease in tax liability is also estimated to decrease the statewide local option income surtax for schools as shown in **Figure 4**.

