



[HF 2490](#) – Beginning Farmer Program, Sunset Changes (LSB2617HZ)  
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 Fiscal Note Version – New

**Description**

[House File 2490](#) enacts a new, revised version of the current Beginning Farmer Tax Credit Program. The change is retroactive to January 1, 2018, and the new version continues until January 1, 2023. At that time, a previous version of the Program will be restored.

A previous portion of the Program, the Custom Farming Contract Tax Credit, is not continued in the Bill.

The Bill increases the annual maximum tax credit amount that may be awarded in a year to \$9.0 million. The current annual cap is \$6.0 million. Once the new, revised Program sunsets, the previous annual cap of \$6.0 million will be restored.

**Assumptions**

- The tax credits are not refundable, but unused credits may carry forward for up to 10 additional tax years. The redemption pattern is assumed to follow the pattern of similar nonrefundable credits with 10-year carryforward provisions.
- As nonrefundable tax credits reduce tax liability, tax credit redemptions also decrease revenue raised by the local option income surtax for schools.

**Fiscal Impact**

Increasing the annual tax credit cap for the Beginning Farmer Tax Credit Program for five years is expected to increase the redemption of income tax credits and decrease State General Fund revenue by the projected amounts in the following table.

**Table 1**

<b>General Fund Revenue Impact</b>			
<b>(In Millions)</b>			
	<u>Amount</u>		<u>Amount</u>
FY 2019	\$ -0.8	FY 2025	\$ -0.7
FY 2020	\$ -1.3	FY 2026	\$ -0.5
FY 2021	\$ -1.6	FY 2027	\$ -0.4
FY 2022	\$ -1.8	FY 2028	\$ -0.3
FY 2023	\$ -1.9	FY 2029	\$ -0.3
FY 2024	\$ -1.1		

In addition, the decreased tax liability will decrease the amount of revenue raised by the local option income surtax for schools. The annual reduction averages \$31,000 over 11 fiscal years (FY 2019 through FY 2029).

**Source**

Department of Revenue

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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