

# Senate File 2268 - Enrolled

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1 1 SENATE FILE 2268  
1 2  
1 3 AN ACT  
1 4 RELATING TO FINANCIAL TRANSACTIONS ASSOCIATED WITH AGRICULTURAL  
1 5 PRODUCTION, BY PROVIDING FOR TAX CREDITS AND TAX EXEMPTIONS,  
1 6 AND INCLUDING EFFECTIVE AND RETROACTIVE AND OTHER  
1 7 APPLICABILITY DATES.  
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1 9 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
1 10  
1 11 Section 1. Section 175.2, Code 2005, is amended by adding  
1 12 the following new subsection:  
1 13 NEW SUBSECTION. 0A. "Agricultural assets" means  
1 14 agricultural land, depreciable agricultural property, crops,  
1 15 or livestock.  
1 16 Sec. 2. NEW SECTION. 175.37 AGRICULTURAL ASSETS TRANSFER  
1 17 TAX CREDIT == AGREEMENT.  
1 18 1. An agricultural assets transfer tax credit is allowed  
1 19 under this section. The tax credit is allowed against the  
1 20 taxes imposed in chapter 422, division II, as provided in  
1 21 section 422.11M, and in chapter 422, division III, as provided  
1 22 in section 422.33, to facilitate the transfer of agricultural  
1 23 assets from a taxpayer to a beginning farmer.  
1 24 2. In order to qualify for the tax credit, the taxpayer  
1 25 must meet qualifications established by rules adopted by the  
1 26 authority. At a minimum, the taxpayer must comply with all of  
1 27 the following:  
1 28 a. Be a person who may acquire or otherwise obtain or  
1 29 lease agricultural land in this state pursuant to chapter 9H  
1 30 or 9I. However, the taxpayer must not be a person who may  
1 31 acquire or otherwise obtain or lease agricultural land  
1 32 exclusively because of an exception provided in one of those  
1 33 chapters or in a provision of another chapter of this Code  
1 34 including but not limited to chapter 10, 10C, 10D, or 501, or  
1 35 section 15E.207.  
2 1 b. Execute an agricultural assets transfer agreement with  
2 2 a beginning farmer as provided in this section.  
2 3 3. An individual may claim a tax credit under this section  
2 4 of a partnership, limited liability company, S corporation,  
2 5 estate, or trust electing to have income taxed directly to the  
2 6 individual. The amount claimed by the individual shall be  
2 7 based upon the pro rata share of the individual's earnings  
2 8 from the partnership, limited liability company, S  
2 9 corporation, estate, or trust.  
2 10 4. The tax credit is allowed only for agricultural assets  
2 11 that are subject to an agricultural assets transfer agreement.  
2 12 The agreement shall provide for the lease of agricultural land  
2 13 including any improvements and may provide for the rental of  
2 14 agricultural equipment as defined in section 322F.1.  
2 15 a. The agreement may be made on a cash basis or on a  
2 16 commodity share basis which includes a share of the crops or  
2 17 livestock produced on the agricultural land. The agreement  
2 18 must be in writing.  
2 19 b. The agreement shall be for at least two years, but not  
2 20 more than five years. The agreement or that part of the  
2 21 agreement providing for the lease may be renewed by the  
2 22 beginning farmer for a term of at least two years, but not  
2 23 more than five years. An agreement does not include a lease  
2 24 or the rental of equipment intended as a security.  
2 25 5. The tax credit shall be calculated based on the gross  
2 26 amount paid to the taxpayer under the agricultural assets  
2 27 transfer agreement.  
2 28 a. Except as provided in paragraph "b", the tax credit  
2 29 shall equal five percent of the amount paid to the taxpayer  
2 30 under the agreement.  
2 31 b. The tax credit shall equal fifteen percent of the  
2 32 amount paid to the taxpayer from crops or animals sold under  
2 33 an agreement in which the payment is exclusively made from the  
2 34 sale of crops or animals.  
2 35 6. In order to qualify as a beginning farmer, a person  
3 1 must be eligible to receive financial assistance under section  
3 2 175.12.  
3 3 7. A tax credit in excess of the taxpayer's liability for

3 4 the tax year may be credited to the tax liability for the  
3 5 following five years or until depleted, whichever is earlier.  
3 6 A tax credit shall not be carried back to a tax year prior to  
3 7 the tax year in which the taxpayer redeems the tax credit. A  
3 8 tax credit shall not be transferable to any other person other  
3 9 than the taxpayer's estate or trust upon the taxpayer's death.

3 10 8. A taxpayer shall not claim a tax credit under this  
3 11 section unless a tax credit certificate issued by the  
3 12 authority is attached to the taxpayer's tax return for the tax  
3 13 year for which the tax credit is claimed. The authority must  
3 14 review and approve an application for a tax credit as provided  
3 15 by rules adopted by the authority. The application must  
3 16 include a copy of the agricultural assets transfer agreement.  
3 17 The authority may approve an application and issue a tax  
3 18 credit certificate to a taxpayer who has previously been  
3 19 allowed a tax credit under this section. The authority may  
3 20 require that the parties to an agricultural assets transfer  
3 21 agreement provide additional information as determined  
3 22 relevant by the authority. The authority shall review an  
3 23 application for a tax credit which includes the renewal of an  
3 24 agricultural assets transfer agreement to determine that the  
3 25 parties to the renewed agreement meet the same qualifications  
3 26 as required for an original application. However, the  
3 27 authority shall not approve an application or issue a  
3 28 certificate to a taxpayer if any of the following applies:

3 29 a. The taxpayer is at fault for terminating a prior  
3 30 agricultural assets transfer agreement as determined by the  
3 31 authority.

3 32 b. The taxpayer is any of the following:

3 33 (1) A party to a pending administrative or judicial  
3 34 action, including a contested case proceeding under chapter  
3 35 17A, relating to an alleged violation involving an animal  
4 1 feeding operation as regulated by the department of natural  
4 2 resources, regardless of whether the pending action is brought  
4 3 by the department or the attorney general.

4 4 (2) Classified as a habitual violator for a violation of  
4 5 state law involving an animal feeding operation as regulated  
4 6 by the department of natural resources.

4 7 c. The beginning farmer is responsible for managing or  
4 8 maintaining agricultural land and other agricultural assets  
4 9 that are greater than necessary to adequately support a  
4 10 beginning farmer as determined by the authority according to  
4 11 rules which shall be adopted by the authority.

4 12 d. The agricultural assets are being leased or rented at a  
4 13 rate which is substantially higher or lower than the market  
4 14 rate for similar agricultural assets leased or rented within  
4 15 the same community, as determined by the authority.

4 16 9. A taxpayer or the beginning farmer may terminate an  
4 17 agricultural assets transfer agreement as provided in the  
4 18 agreement or by law. The taxpayer must immediately notify the  
4 19 authority of the termination.

4 20 a. If the authority determines that the taxpayer is not at  
4 21 fault for the termination, the authority shall not issue a tax  
4 22 certificate to the taxpayer for a subsequent tax year based on  
4 23 the approved application. Any prior tax credit is allowed as  
4 24 provided in this section. The taxpayer may apply for and be  
4 25 issued another tax credit certificate for the same  
4 26 agricultural assets as provided in this section for any  
4 27 remaining tax years for which a certificate was not issued.

4 28 b. If the authority determines that the taxpayer is at  
4 29 fault for the termination, any prior tax credit allowed under  
4 30 this section is disallowed. The tax credit shall be  
4 31 recaptured and the amount of the tax credit shall be  
4 32 immediately due and payable to the department of revenue. If  
4 33 a taxpayer does not immediately notify the authority of the  
4 34 termination, the taxpayer shall be conclusively deemed at  
4 35 fault for the termination.

5 1 Sec. 3. NEW SECTION. 422.11M AGRICULTURAL ASSETS  
5 2 TRANSFERRED TO BEGINNING FARMERS.

5 3 The taxes imposed under this division, less the credits  
5 4 allowed under sections 422.12 and 422.12B, shall be reduced by  
5 5 an agricultural assets transfer tax credit as allowed under  
5 6 section 175.37.

5 7 Sec. 4. Section 422.33, Code Supplement 2005, is amended  
5 8 by adding the following new subsection:

5 9 NEW SUBSECTION. 20. The taxes imposed under this division  
5 10 shall be reduced by an agricultural assets transfer tax credit  
5 11 as allowed under section 175.37.

5 12 Sec. 5. Section 423.3, subsection 11, unnumbered paragraph  
5 13 1, Code Supplement 2005, is amended to read as follows:

5 14 The sales price exclusive of services of farm machinery and

5 15 equipment, including auxiliary attachments which improve the  
5 16 performance, safety, operation, or efficiency of the machinery  
5 17 and equipment, and including auger systems, curtains and  
5 18 curtain systems, drip systems, fan and fan systems, shutters,  
5 19 inlets and shutter or inlet systems, and refrigerators, and  
5 20 replacement parts, if all of the following conditions are met:  
5 21 Sec. 6. REFUNDS. Refunds of taxes, interest, or penalties  
5 22 which arise from claims resulting from the amendment of  
5 23 section 423.3, subsection 11, in this Act, for the exemption  
5 24 of sales of auger systems, curtains and curtain systems, drip  
5 25 systems, fan and fan systems, shutters, inlets and shutter or  
5 26 inlet systems, and refrigerators occurring between January 1,  
5 27 1992, and the effective date of this section of this Act,  
5 28 shall be limited to twenty-five thousand dollars in the  
5 29 aggregate and shall not be allowed unless refund claims are  
5 30 filed prior to October 1, 2006, notwithstanding any other  
5 31 provision of law. If the amount of claims totals more than  
5 32 twenty-five thousand dollars in the aggregate, the department  
5 33 of revenue shall prorate the twenty-five thousand dollars  
5 34 among all claimants in relation to the amounts of the  
5 35 claimants' valid claims. Claimants shall not be entitled to  
6 1 interest on any refunds.

6 2 Sec. 7. EFFECTIVE DATES AND RETROACTIVE APPLICABILITY  
6 3 PROVISIONS.

6 4 1. Except as provided in subsection 2, this Act takes  
6 5 effect January 1, 2007, and is applicable to tax years  
6 6 beginning on or after that date.

6 7 2. The section of this Act amending section 423.3 and the  
6 8 section of this Act providing refunds resulting from the  
6 9 amendment of section 423.3, being deemed of immediate  
6 10 importance, take effect upon enactment and apply retroactively  
6 11 to January 1, 1992.

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6 14 \_\_\_\_\_  
6 15 JEFFREY M. LAMBERTI  
6 16 President of the Senate  
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6 19 \_\_\_\_\_  
6 20 CHRISTOPHER C. RANTS  
6 21 Speaker of the House  
6 22

6 23 I hereby certify that this bill originated in the Senate and  
6 24 is known as Senate File 2268, Eighty-first General Assembly.

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6 27 \_\_\_\_\_  
6 28 MICHAEL E. MARSHALL  
6 29 Secretary of the Senate

6 30 Approved \_\_\_\_\_, 2006

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6 34 THOMAS J. VILSACK  
6 35 Governor