

*Reprinted 4/87*

MAR 24 1987

HOUSE FILE 626  
BY COMMITTEE ON AGRICULTURE

Place On Calendar

(Formerly House Study Bill 160)

Passed House, Date 4-1-87 (p. 1032) Passed Senate, Date \_\_\_\_\_

Vote: Ayes 90 Nays 4 Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to the agricultural development authority, by  
2 authorizing it to provide assistance programs to eligible  
3 agricultural producers, making appropriations, and providing  
4 an effective date.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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*HF 626*

1 Section 1. Section 175.2, Code 1987, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 9A. "Farmer" means an individual,  
4 partnership, or family farm corporation, as defined in section  
5 172C.1, subsection 8, that engages in farming.

6 Sec. 2. Section 175.13A, subsection 2, Code 1987, is  
7 amended by adding the following new paragraph:

8 NEW PARAGRAPH. c. To participate in the interest buy-down  
9 program the producer must have a net worth of two hundred  
10 thousand dollars or less, and must develop a farm unit  
11 conservation plan and enter into a soil conservation agreement  
12 with the commissioners of the soil conservation district where  
13 the land is located, pursuant to section 467A.42.

14 Sec. 3. NEW SECTION. 175.13B ASSISTANCE PROGRAMS FOR  
15 CATTLE PRODUCERS.

16 The authority shall establish an agricultural loan  
17 assistance program, subject to the provisions of this chapter,  
18 for cattle producers. The program may include, but is not  
19 limited to loan guarantees, interest buy-downs, grants, or  
20 secured direct loans, to assist cattle producers within the  
21 state. However, to participate in the program the cattle  
22 producer must have a net worth of two hundred thousand dollars  
23 or less, and develop a farm unit conservation plan and enter  
24 into a conservation agreement with the commissions of the soil  
25 conservation district where the land is located, pursuant to  
26 section 467A.42. The authority shall exercise the powers  
27 granted to it in this chapter in order to fulfill the goal of  
28 providing financial assistance to cattle producers. The  
29 authority may participate in and cooperate with programs of  
30 any agency or instrumentality of the federal government or  
31 with programs of any other state agency in the administration  
32 of the cattle producer loan program, subject to the provisions  
33 of this chapter.

34 If a direct loan is made pursuant to this section and the  
35 farmer receiving the loan places agricultural land that has

1 been planted for row crops in the prior three years, in  
2 pasture pursuant to a conservation agreement provided in  
3 section 467A.42, the loan shall be forgiven by one-half of the  
4 cost of seeding the pasture. However, the forgiveness shall  
5 apply only to the first one hundred and fifty acres planted.  
6 No more than twenty-five dollars per acre shall be forgiven  
7 from the loan. The amount of the loan shall not be reduced  
8 until after five years following the date that the  
9 conservation agreement was executed and the commissions for  
10 the district certify that the agreement has not been violated.  
11 The terms of the loan shall provide that if the conservation  
12 agreement is violated the loan shall be due within sixty days.

13 Sec. 4. To the extent funds are available for the fiscal  
14 year beginning July 1, 1986 and ending June 30, 1987 and for  
15 the fiscal year beginning July 1, 1987 and ending June 30,  
16 1988, the agricultural development authority shall carry out  
17 this program. Not more than two million (2,000,000) dollars  
18 of the appropriation is used to support the interest buy-down  
19 program.

20 Sec. 5. This Act, being deemed of immediate importance,  
21 takes effect upon enactment.

22 EXPLANATION

23 This bill reauthorizes the agricultural loan assistance  
24 program of 1986 and establishes assistance programs to certain  
25 agricultural producers under certain conditions, and makes  
26 appropriations for those programs. The bill takes effect upon  
27 enactment.

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## HOUSE FILE 626

H-3507

1 Amend House File 626 as follows:

2 1. By striking everything after the enacting  
3 clause and inserting the following:

4 "Section 1. Section 175.2, subsection 3, Code  
5 1987, is amended to read as follows:

6 3. "Agricultural producer" means a person engaged  
7 or intending to engage in the business of producing  
8 and marketing agricultural produce in this state.

9 Sec. 2. Section 175.4, Code 1987, is amended by  
10 adding the following new subsections:

11 NEW SUBSECTION. 19. The decline in the number of  
12 beef cattle production operations is a serious problem  
13 within the state, resulting in the conversion of land  
14 used for pasture to row crop production, and threatens  
15 to destroy a significant part of Iowa's agricultural  
16 base and damage the economic viability of the state.

17 NEW SUBSECTION. 20. It is necessary to create a  
18 program in this state to assist agricultural producers  
19 who have established or intend to establish beef  
20 cattle production operations, to obtain adequate  
21 financing, and management assistance and training, and  
22 to convert land used for row crop production to  
23 pasture.

24 Sec. 3. Section 175.35, subsection 3, Code 1987,  
25 is amended by adding the following new paragraphs:

26 NEW PARAGRAPH. g. The farmer has a net worth of  
27 not more than two hundred thousand dollars.

28 NEW PARAGRAPH. h. The farmer has developed a farm  
29 unit conservation plan and entered into a conservation  
30 agreement, as defined in sections 467A.42, with the  
31 commissioners of the soil conservation district where  
32 the land is located.

33 Sec. 4. NEW SECTION. 175.36 ASSISTANCE AND  
34 MANAGEMENT PROGRAMS FOR BEEF CATTLE PRODUCERS.

35 1. The authority shall create and develop programs  
36 to assist agricultural producers who have established  
37 or intend to establish in this state, beef cattle  
38 production operations, including but not limited to  
39 the following assistance:

40 a. INSURANCE OR LOAN GUARANTEE PROGRAM. An  
41 insurance or loan guarantee program to provide for the  
42 insuring or guaranteeing of all or part of a loan made  
43 to an agricultural producer for the acquisition of  
44 beef cattle to establish or expand a feeder cattle  
45 operation.

46 b. AN INTEREST BUY-DOWN PROGRAM. The authority  
47 may contract with a participating lending institution  
48 and a qualified agricultural producer to reduce the  
49 interest rate charged on a loan for the acquisition of  
50 beef cattle breeding stock. The authority shall

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Page Two

1 determine the amount that the rate is reduced, by  
2 considering the lending institutions customary loan  
3 rate for the acquisition of beef cattle breeding stock  
4 as certified to the authority by the lending  
5 institution.

6 As part of the contract, in order to partially  
7 reimburse the lending institution for the reduction of  
8 the interest rate on the loan, the authority may agree  
9 to grant the lending institution any amount foregone  
10 by reducing the interest rate, if the amount of the  
11 loan is one hundred thousand dollars or less.

12 However, the amount reimbursed shall not be more than  
13 the lesser of either of the following:

14 (1) Three percent per annum of the principal  
15 balance of the loan which is outstanding at any time  
16 for the term of the loan or within one year from the  
17 date that the documents creating the loan are  
18 executed, whichever is less.

19 (2) Fifty percent of the amount of interest  
20 foregone by the lending institution on the loan.

21 c. A COST-SHARING PROGRAM. The authority may  
22 contract with an agricultural producer to reimburse  
23 the producer for the cost of converting land planted  
24 to row crops to pasture suitable for beef cattle  
25 production. However, the amount reimbursed shall not  
26 be more than twenty-five dollars per acre converted,  
27 or fifty percent of the conversion costs, whichever is  
28 less. The contract shall apply to not more than one  
29 hundred fifty acres of row crop land converted to  
30 pasture. The converted land shall be utilized in beef  
31 cattle production for a minimum of five years  
32 following the last payment under the contract. The  
33 amount to be reimbursed shall be reduced by the amount  
34 that the agricultural producer receives under any  
35 other state or federal program that contributes toward  
36 the cost of converting the same land from row crops to  
37 pasture.

38 d. A MANAGEMENT ASSISTANCE AND TRAINING PROGRAM.  
39 The authority in cooperation with any agency or  
40 instrumentality of the federal government or with any  
41 state agency, including any state university or those  
42 associations organized for the purpose of assisting  
43 agricultural producers involved in beef cattle  
44 production, shall establish programs to train and  
45 assist agricultural producers to effectively manage  
46 beef cattle production operations.

47 2. An agricultural producer shall be eligible to  
48 participate in a program established under this  
49 section only if all the following criteria are  
50 satisfied:

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e Three

1 a. The agricultural producer is a resident of the  
2 state.

3 b. The agricultural producer has land or other  
4 facilities available to establish a beef cattle  
5 production operation as prescribed by rules of the  
6 authority.

7 c. The agricultural producer is an individual,  
8 partnership, or a family farm corporation, as defined  
9 in section 172C.1, subsection 8.

10 d. The land or other facilities available to  
11 establish a beef cattle production operation are  
12 located within the state.

13 e. The agricultural producer has a net worth of  
14 four hundred thousand dollars or less.

15 f. The agricultural producer develops a farm unit  
16 conservation plan and enters into a conservation  
17 agreement, as defined in section 467A.42, with the  
18 commissioners of the soil conservation district where  
19 the land is located within two years from the date of  
20 entering into the program, unless the authority  
21 requires a shorter period of time by rule.

22 3. The authority shall adopt rules to enforce the  
23 provisions of this section or the terms of a contract  
24 to which the authority is a party. The authority may  
25 also enforce the provisions of this section or terms  
26 of the contract by bringing an action in any court of  
27 competent jurisdiction to recover damages. As a  
28 condition of entering into the program, the authority  
29 may require that the agricultural producer consent to  
30 the jurisdiction of the courts of this state to hear  
31 any matter arising from the provisions of this  
32 section.

33 Sec. 5. APPROPRIATION. There is appropriated from  
34 the general fund of the state to the Iowa agricultural  
35 development authority for the fiscal period beginning  
36 July 1, 1986, and ending June 30, 1987, the amount of  
37 five million (5,000,000) dollars, or so much thereof  
38 as is necessary, to be used for providing assistance  
39 to Iowa farmers and agricultural producers under and  
40 through the agricultural loan assistance programs,  
41 assistance, training, and management programs for beef  
42 cattle producers, and related programs. Not more than  
43 two million (2,000,000) dollars of the appropriation  
44 shall be used for all other assistance programs.

45 Not more than one hundred fifty thousand (150,000)  
46 dollars shall be used for general administration,  
47 including salaries, support, and miscellaneous  
48 purposes. Notwithstanding section 8.33, moneys  
49 appropriated by this section which are committed for  
50 grants pursuant to agreements under section 175.35

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1 entered into on or after April 1, 1987, but before  
 2 October 1, 1987, shall not revert to the general fund.  
 3 Notwithstanding section 8.33, moneys appropriated by  
 4 this section for assistance, training, and management  
 5 programs for beef cattle producers which are committed  
 6 pursuant to agreements under section 175.36,  
 7 subsection 1, paragraph "d", entered into on or after  
 8 April 1, 1987, but before July 1, 1988 shall not  
 9 revert to the general fund. Moneys appropriated by  
 10 this section which are committed pursuant to  
 11 agreements under section 175.35, but which are not  
 12 utilized by July 1, 1988, shall revert to the general  
 13 fund. Moneys appropriated by this section which are  
 14 committed pursuant to agreements under section 175.36,  
 15 but are not utilized by July 1, 1989, shall revert to  
 16 the general fund.

17 Sec. 6. EFFECTIVE DATE. This Act, being deemed of  
 18 immediate importance, takes effect upon enactment."

19 2. Title page, lines 2 and 3, by striking the  
 20 words "authorizing it to provide assistance programs  
 21 to eligible agricultural producers" and inserting the  
 22 following: "expanding certain definitions, providing  
 23 requirements for certain farmers to participate in  
 24 certain programs, providing programs to assist  
 25 eligible beef cattle producers".

BY SKOW of Guthrie  
 PETERSEN of Muscatine  
 MUHLBAUER of Crawford  
 KREMER of Buchanan

NORRGARD of Des Moines  
 BRANSTAD of Winnebago  
 SVOBODA of Tama  
 OSTERBERG of Linn

H-3507 FILED MARCH 31, 1987

*Adopted as amended by 3552  
 4/1/87 (p. 1033)*

H-3510

HOUSE FILE 626

1 Amend amendment H-3507 to House File 626 as

A 2 follows:

3 1. Page 1, line 27, by striking the word "two" and  
4 inserting the word "one".

B 5 2. Page 3, line 14, by striking the word "four"  
6 and inserting the word "two".

H-3510 FILED MARCH 31, 1987

BY LAGESCHULTE of Bremer

*A - Last, B HO 4/1/87 (p. 1032)*

HOUSE FILE 626

H-3552

1 Amend the amendment, H-3507, to House File 626 as  
2 follows:

3 1. Page 2, line 32, by striking the words  
4 "following the last payment under the contract".

5 2. By striking page 3, line 33 through page 4,  
6 line 16 and inserting the following:

7 "Sec. \_\_\_\_ . The Iowa agricultural development  
8 authority shall develop and establish assistance  
9 programs for agricultural producers under this Act to  
10 be funded from moneys appropriated to the Iowa  
11 agricultural development authority for that purpose."

H-3552 FILED APRIL 1, 1987

BY SKOW of Guthrie

PETERSEN of Muscatine

*Adopted 4/1 (p. 1032)*



HOUSE FILE 626  
 Amendment S-3492  
FISCAL NOTE

REQUESTED BY REPRESENTATIVE SKOW

In compliance with a written request received April 15, 1987, a fiscal note for Amendment S-3492 to House File 626 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Amendment S-3492 to House File 626 relates to agriculture by expanding certain definitions, providing requirements for certain farmers to participate in certain programs, providing programs to assist eligible beef cattle producers, providing a property tax credit for certain facilities used in producing meat, providing an exemption from the sales, services, and use tax on utilities or fuel to be used in agricultural production for market and in agricultural production of equipment or its repair if used in the production of livestock, providing for a property tax exemption for certain cattle facilities, providing for funding.

Amendment S-3492 to House File 626 has six separate Divisions. Divisions I & VI relate to the Agricultural Loan Assistance Program and Divisions II, III, IV & V relate to Livestock Tax Exemptions. Therefore, these two areas will be discussed separately.

Divisions I & VI: Fiscal Effect

Divisions I & VI of Amendment S-3492 to House File 626 expand the Agricultural Loan Assistance Program of the Agricultural Development Authority to include assistance to eligible beef cattle producers. The Department of Agriculture and Land Stewardship estimates that Divisions I & VI of S-3492 to House File 626 would have a total expense of \$5,000,000 for FY 1987 and FY 1988. This expense includes \$85,000 for salaries, \$65,000 for support, and \$4,850,000 for the interest buydown, cost share, and cattle insurance programs.

Assumptions

The amount used for these estimates was \$5,000,000 which was obtained from House File 355, the Supplemental Appropriation Bill, and from previous experience in the Iowa Agricultural Loan Assistance Program regarding requests for assistance and expenditures.

(dollars in thousands)

	Fiscal Year 1988			Fiscal Year 1989		
	Current Law	Proposed Law	Increase (Decrease)	Current Law	Proposed Law	Increase (Decrease)
<u>REVENUE</u>						
General Fund	\$ 3,000	\$ 5,000	\$ 2,000	*Will carry forward to FY 1988		
Federal Funds	0	0	0	0	0	0
Fees	0	0	0	0	0	0
Iowa Fund	2,000	0	(2,000)	0	0	0
Total	\$ 5,000	\$ 5,000	\$ 0	\$ 0	\$ 4,993	\$ 4,993
<u>EXPENDITURES</u>						
Salaries (FTE's)	\$ 59 ( 2.0)	\$ 5 ( 0)	\$ (35) ( 2.0)	\$ 0 ( 0)	\$ 80 ( 3.0)	\$ 80 ( 3.0)
Support	28	2	(26)	0	63	63
Buydown, Cost Share & Insurance Program	3,004	0	0	0	4,850	4,850
Total	\$ 3,091	\$ 7	\$ (61)	\$ 0	\$ 4,993	\$ 4,993
<b>NET EFFECT</b>	\$ 1,928	\$ * 4,993	\$ (61)	\$ 0	\$ 0	\$ 0

## Division II

Currently, \$8 million is appropriated for a livestock tax replacement disbursement that goes to counties and school districts. Payments are distributed according to a district's current tax rate and 1973 assessed base. Under the current distribution method, counties received \$4.2 million in livestock replacement and schools received \$3.8 million in FY 1987.

Amendment S-3492 would allocate livestock tax replacement money in the form of a property tax credit to cattle producers. The tax credit reduces the property tax a producer pays on farm structures used in raising cattle (note: grain and machine storage structures are not eligible). The maximum amount of the credit is \$2,700 per owner; the maximum number of head of cattle an owner can use in the claim is 300. The credit is \$3.00 per head if bought in Iowa, \$6.00 per head if bought and sold for slaughter in Iowa, and \$9.00 per head if bought, raised immediately before slaughter, and sold for slaughter in Iowa.

## Fiscal Effect

Amendment S-3492 strikes the provision giving school districts livestock replacement money. Since schools will no longer receive \$2.5 million in "frozen" livestock replacement, there will need to be a \$2.5 million increase in state general fund payments to reimburse the school aid formula to make up the difference between the uniform levy for the foundation property tax and the foundation support level.

## Property Tax Effects

1. Schools districts may levy for the difference between their spending authority and the amount they actually receive. Currently, they may levy \$1.2 million for "additional" livestock replacement they do not receive under the current method of distribution. Under S-3492, they could levy an additional \$1.3 million, for a total cash reserve levy of \$2.5 million.
2. Assuming that all of the \$8 million would be used for the livestock tax credit, counties would no longer receive their share of livestock replacement. Instead the \$8 million appropriation for livestock replacement will go to property tax relief for cattle producers.

## Divisions II, IV & V

According to the Department of Revenue and Finance, the fiscal effect for these three Divisions of Amendment S-3492 can not be estimated.

Source: Department of Agriculture and Land Stewardship, Department of Management, Department of Revenue and Finance

Sen. Ag Amend (3492) + Do Pass 4/9/87 (p. 1198)

HOUSE FILE 626  
BY COMMITTEE ON AGRICULTURE

(As Amended and Passed by the House April 1, 1987)

RePassed House, Date 5/6/87 (p. 2056) Passed Senate, Date 4-14-87 (p. 1305)  
Vote: Ayes 73 Nays 22 Vote: Ayes 44 Nays 5

Motion to reconsider 5/11/87 (p. 2141) Approved May 29, 1987  
Referred House 5/7/87 (p. 2113) Referred Senate for House amendment 5/9/87 (p. 1853)  
68-31 40-5

**A BILL FOR**

1 An Act relating to the agricultural development authority, by  
2 expanding certain definitions, providing requirements for  
3 certain farmers to participate in certain programs, providing  
4 programs to assist eligible beef cattle producers, making  
5 appropriations, and providing an effective date.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

House Amendments \_\_\_\_\_

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1 Section 1. Section 175.2, subsection 3, Code 1987, is  
2 amended to read as follows:

3 3. "Agricultural producer" means a person engaged or  
4 intending to engage in the business of producing and marketing  
5 agricultural produce in this state.

6 Sec. 2. Section 175.4, Code 1987, is amended by adding the  
7 following new subsections:

8 NEW SUBSECTION. 19. The decline in the number of beef  
9 cattle production operations is a serious problem within the  
10 state, resulting in the conversion of land used for pasture to  
11 row crop production, and threatens to destroy a significant  
12 part of Iowa's agricultural base and damage the economic  
13 viability of the state.

14 NEW SUBSECTION. 20. It is necessary to create a program  
15 in this state to assist agricultural producers who have  
16 established or intend to establish beef cattle production  
17 operations, to obtain adequate financing, and management  
18 assistance and training, and to convert land used for row crop  
19 production to pasture.

20 Sec. 3. Section 175.35, subsection 3, Code 1987, is  
21 amended by adding the following new paragraphs:

22 NEW PARAGRAPH. g. The farmer has a net worth of not more  
23 than two hundred thousand dollars.

24 NEW PARAGRAPH. h. The farmer has developed a farm unit  
25 conservation plan and entered into a conservation agreement,  
26 as defined in sections 467A.42, with the commissioners of the  
27 soil conservation district where the land is located.

28 Sec. 4. NEW SECTION. 175.36 ASSISTANCE AND MANAGEMENT  
29 PROGRAMS FOR BEEF CATTLE PRODUCERS.

30 1. The authority shall create and develop programs to  
31 assist agricultural producers who have established or intend  
32 to establish in this state, beef cattle production operations,  
33 including but not limited to the following assistance:

34 a. INSURANCE OR LOAN GUARANTEE PROGRAM. An insurance or  
35 loan guarantee program to provide for the insuring or

1 guaranteeing of all or part of a loan made to an agricultural  
2 producer for the acquisition of beef cattle to establish or  
3 expand a feeder cattle operation.

4 b. AN INTEREST BUY-DOWN PROGRAM. The authority may  
5 contract with a participating lending institution and a  
6 qualified agricultural producer to reduce the interest rate  
7 charged on a loan for the acquisition of beef cattle breeding  
8 stock. The authority shall determine the amount that the rate  
9 is reduced, by considering the lending institutions customary  
10 loan rate for the acquisition of beef cattle breeding stock as  
11 certified to the authority by the lending institution.

12 As part of the contract, in order to partially reimburse  
13 the lending institution for the reduction of the interest rate  
14 on the loan, the authority may agree to grant the lending  
15 institution any amount foregone by reducing the interest rate,  
16 if the amount of the loan is one hundred thousand dollars or  
17 less. However, the amount reimbursed shall not be more than  
18 the lesser of either of the following:

19 (1) Three percent per annum of the principal balance of  
20 the loan which is outstanding at any time for the term of the  
21 loan or within one year from the date that the documents  
22 creating the loan are executed, whichever is less.

23 (2) Fifty percent of the amount of interest foregone by  
24 the lending institution on the loan.

25 c. A COST-SHARING PROGRAM. The authority may contract  
26 with an agricultural producer to reimburse the producer for  
27 the cost of converting land planted to row crops to pasture  
28 suitable for beef cattle production. However, the amount  
29 reimbursed shall not be more than twenty-five dollars per acre  
30 converted, or fifty percent of the conversion costs, whichever  
31 is less. The contract shall apply to not more than one  
32 hundred fifty acres of row crop land converted to pasture.  
33 The converted land shall be utilized in beef cattle production  
34 for a minimum of five years. The amount to be reimbursed  
35 shall be reduced by the amount that the agricultural producer

1 receives under any other state or federal program that  
2 contributes toward the cost of converting the same land from  
3 row crops to pasture.

4 d. A MANAGEMENT ASSISTANCE AND TRAINING PROGRAM. The  
5 authority in cooperation with any agency or instrumentality of  
6 the federal government or with any state agency, including any  
7 state university or those associations organized for the  
8 purpose of assisting agricultural producers involved in beef  
9 cattle production, shall establish programs to train and  
10 assist agricultural producers to effectively manage beef  
11 cattle production operations.

12 2. An agricultural producer shall be eligible to  
13 participate in a program established under this section only  
14 if all the following criteria are satisfied:

15 a. The agricultural producer is a resident of the state.

16 b. The agricultural producer has land or other facilities  
17 available to establish a beef cattle production operation as  
18 prescribed by rules of the authority.

19 c. The agricultural producer is an individual,  
20 partnership, or a family farm corporation, as defined in  
21 section 172C.1, subsection 8.

22 d. The land or other facilities available to establish a  
23 beef cattle production operation are located within the state.

24 e. The agricultural producer has a net worth of four  
25 hundred thousand dollars or less.

26 f. The agricultural producer develops a farm unit  
27 conservation plan and enters into a conservation agreement, as  
28 defined in section 467A.42, with the commissioners of the soil  
29 conservation district where the land is located within two  
30 years from the date of entering into the program, unless the  
31 authority requires a shorter period of time by rule.

32 3. The authority shall adopt rules to enforce the  
33 provisions of this section or the terms of a contract to which  
34 the authority is a party. The authority may also enforce the  
35 provisions of this section or terms of the contract by

1 bringing an action in any court of competent jurisdiction to  
2 recover damages. As a condition of entering into the program,  
3 the authority may require that the agricultural producer  
4 consent to the jurisdiction of the courts of this state to  
5 hear any matter arising from the provisions of this section.

6 Sec. 5. The Iowa agricultural development authority shall  
7 develop and establish assistance programs for agricultural  
8 producers under this Act to be funded from moneys appropriated  
9 to the Iowa agricultural development authority for that  
10 purpose.

11 Sec. 6. EFFECTIVE DATE. This Act, being deemed of  
12 immediate importance, takes effect upon enactment.

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HOUSE FILE 626

S-3492

1 Amend House File 626 as passed by the House as  
2 follows:

3 1. By striking everything after the enacting  
4 clause and inserting the following:

5 "DIVISION I

6 Sec. 101. Section 175.2, subsection 3, Code 1987,  
7 is amended to read as follows:

8 3. "Agricultural producer" means a person engaged  
9 or intending to engage in the business of producing  
10 and marketing agricultural produce in this state.

11 Sec. 102. Section 175.4, Code 1987, is amended by  
12 adding the following new subsections:

13 NEW SUBSECTION. 19. The decline in the number of  
14 beef cattle production operations is a serious problem  
15 within the state, resulting in the conversion of land  
16 used for pasture to row crop production, and threatens  
17 to destroy a significant part of Iowa's agricultural  
18 base and damage the economic viability of the state.

19 NEW SUBSECTION. 20. It is necessary to create a  
20 program in this state to assist agricultural producers  
21 who have established or intend to establish beef  
22 cattle production operations, to obtain adequate  
23 financing, and management assistance and training, and  
24 to convert land used for row crop production to  
25 pasture.

26 Sec. 103. Section 175.35, subsection 3, Code 1987,  
27 is amended by adding the following new paragraphs:

28 NEW PARAGRAPH. g. The farmer has a net worth of  
29 not more than two hundred thousand dollars.

30 NEW PARAGRAPH. h. The farmer develops a farm unit  
31 conservation plan and enters into a conservation  
32 agreement, as defined in section 467A.42, with the  
33 commissioners of the soil conservation district where  
34 the land is located within one year from the date of  
35 entering into the program, unless the authority  
36 requires a shorter period by rule.

37 Sec. 104. NEW SECTION. 175.36 ASSISTANCE AND  
38 MANAGEMENT PROGRAMS FOR BEEF CATTLE PRODUCERS.

39 1. The authority shall create and develop programs  
40 to assist agricultural producers who have established  
41 or intend to establish in this state, beef cattle  
42 production operations, including but not limited to  
43 the following assistance:

44 a. INSURANCE OR LOAN GUARANTEE PROGRAM. An  
45 insurance or loan guarantee program to provide for the  
46 insuring or guaranteeing of all or part of a loan made  
47 to an agricultural producer for the acquisition of  
48 beef cattle to establish or expand a feeder cattle  
49 operation.

50 b. AN INTEREST BUY-DOWN PROGRAM. The authority



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1 may contract with a participating lending institution  
2 and a qualified agricultural producer to reduce the  
3 interest rate charged on a loan for the acquisition of  
3561 4 beef cattle breeding stock. The authority shall  
5 determine the amount that the rate is reduced, by  
6 considering the lending institution's customary loan  
3561 7 rate for the acquisition of beef cattle breeding stock  
8 as certified to the authority by the lending  
9 institution.

3537 10 As part of the contract, in order to partially  
11 reimburse the lending institution for the reduction of  
12 the interest rate on the loan, the authority may agree  
13 to grant the lending institution any amount foregone  
14 by reducing the interest rate, if the amount of the  
15 loan is one hundred thousand dollars or less.  
16 However, the amount reimbursed shall not be more than  
17 the lesser of either of the following:

3537 18 (1) Three percent per annum of the principal  
19 balance of the loan which is outstanding at any time  
20 for the term of the loan or within one year from the  
21 date that the documents creating the loan are  
22 executed, whichever is less.

23 (2) Fifty percent of the amount of interest  
24 foregone by the lending institution on the loan.

25 c. A COST-SHARING PROGRAM. The authority may  
26 contract with an agricultural producer to reimburse  
27 the producer for the cost of converting land planted  
28 to row crops to pasture suitable for beef cattle  
29 production. However, the amount reimbursed shall not  
30 be more than twenty-five dollars per acre converted,  
31 or fifty percent of the conversion costs, whichever is  
32 less. The contract shall apply to not more than one  
33 hundred fifty acres of row crop land converted to  
34 pasture. The converted land shall be utilized in beef  
35 cattle production for a minimum of five years. The  
36 amount to be reimbursed shall be reduced by the amount  
37 that the agricultural producer receives under any  
38 other state or federal program that contributes toward  
39 the cost of converting the same land from row crops to  
40 pasture.

3561 41 d. A MANAGEMENT ASSISTANCE AND TRAINING PROGRAM.  
42 The authority in cooperation with any agency or  
43 instrumentality of the federal government or with any  
44 state agency, including any state university or those  
45 associations organized for the purpose of assisting  
46 agricultural producers involved in beef cattle  
47 production, shall establish programs to train and  
48 assist agricultural producers to effectively manage  
49 beef cattle production operations.

50 2. An agricultural producer shall be eligible to

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participate in a program established under this section only if all the following criteria are satisfied:

a. The agricultural producer is a resident of the state.

b. The agricultural producer has land or other facilities available to establish a beef cattle production operation as prescribed by rules of the authority.

c. The agricultural producer is an individual, partnership, or a family farm corporation, as defined in section 172C.1, subsection 8.

d. The land or other facilities available to establish a beef cattle production operation are located within the state.

e. The agricultural producer has a net worth of four hundred thousand dollars or less.

f. The agricultural producer develops a farm unit conservation plan and enters into a conservation agreement, as defined in section 467A.42, with the commissioners of the soil conservation district where the land is located within one year from the date of entering into the program, unless the authority requires a shorter period of time by rule.

3. The authority shall adopt rules to enforce the provisions of this section or the terms of a contract to which the authority is a party. The authority may also enforce the provisions of this section or terms of the contract by bringing an action in any court of competent jurisdiction to recover damages. As a condition of entering into the program, the authority may require that the agricultural producer consent to the jurisdiction of the courts of this state to hear any matter arising from the provisions of this section.

#### DIVISION II

Sec. 201. Section 331.429, subsection 1, paragraph a, Code 1987, is amended to read as follows:

a. Transfers from the general fund not to exceed in any year the dollar equivalent of a tax of sixteen and seven-eighths cents per thousand dollars of assessed value on all taxable property in the county and an amount equivalent to the moneys derived by the general fund from ~~livestock-tax-credits-under-section 427.17~~ military service tax credits under chapter 426A7 and mobile home taxes under section 135D.22 multiplied by the ratio of sixteen and seven-eighths cents to the general fund tax rate.

Sec. 202. Section 427.17, subsections 2 and 3, Code 1987, are amended by striking the subsections and

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1 inserting in lieu thereof the following:

2     2. A property tax credit for every head of cattle,  
3 not to exceed three hundred head, bought, raised, or  
4 sold in the state by a producer is allowed on the tax  
5 levied on the farm structures utilized in raising the  
6 cattle, which structures do not include structures  
7 utilized for grain or machine storage. The amount of  
8 the credit is three dollars per head if bought in the  
9 state, six dollars per head if bought and sold for  
10 slaughter at facilities in this state, or nine dollars  
11 per head if bought, raised immediately before  
12 slaughter, and sold for slaughter at facilities in  
13 this state. The tax credit shall be provided to the  
14 owner of the farm structures. The tax credit shall  
15 not exceed two thousand seven hundred dollars per  
16 owner.

17     3. To claim the credit allowed in subsection 2,  
18 the owner of the farm structures shall file an  
19 application for the credit by February 1 of the year  
20 following the calendar year upon which the credit is  
21 based with the county auditor of the county in which  
22 the farm structures are located. The credit shall be  
23 allowed against the taxes due and payable in the first  
24 fiscal year following the calendar year upon which the  
25 credit is based. The application shall indicate the  
26 number of head of cattle bought, raised, or sold in  
27 the state during the previous calendar year, and shall  
28 include copies of receipts or invoices for the  
29 purchase or sale for slaughter of the cattle during  
30 the previous calendar year. On or before April 1 of  
31 each year, after review and approval by the county  
32 board of supervisors, the county auditor of each  
33 county shall certify to the director of revenue and  
34 finance the amount of credit allowed in the county  
35 under this section. If the county auditor or the  
36 board of supervisors denies a claim, notice of the  
37 denial shall be given to the claimant. The claimant  
38 may appeal the denial first to the board of  
39 supervisors, then to the district court of that  
40 county. As used in this section:

41     a. "Producer" means a person engaged in the  
42 business of producing cattle.

43     b. "Owner" means the person who under the property  
44 tax laws of this state is liable for the payment of  
45 the property taxes on the farm structures utilized in  
46 raising cattle. "Owner" does not include a person who  
47 becomes an owner solely for the purpose of receiving  
48 the benefits of this section.

49     Sec. 203. Section 427.17, subsection 4, Code 1987,  
50 is amended to read as follows:

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4. The amounts due each taxing district to  
reimburse them for the property tax credits allowed  
pursuant to this section shall be paid on warrants  
payable to the respective county treasurers by the  
director of revenue and finance on July 15 of each  
year. The county treasurer shall apportion the  
proceeds to the various taxing districts in the  
county.

Sec. 204. Section 442.2, subsection 2, Code 1987,  
is amended to read as follows:

~~2. The amount paid to each school district for the  
tax credit for livestock under section 427.17 shall be  
regarded as property tax. The portion of the payment  
which is foundation property tax shall be determined  
by applying the foundation property tax rate to the  
taxable value of livestock assessed for taxation in  
the district as of January 1, 1977, determined  
pursuant to section 427.17, and adjusted to actual  
value as provided in Acts of the Sixty-fifth General  
Assembly, chapter 1231, section 174. A school  
district is hereby authorized to may levy a tax on all  
of the taxable property within the district in an  
amount equal to the difference between the amount due  
to a school district from the personal property tax  
replacement fund for the preceding year and the amount  
actually received during the preceding fiscal year  
from the personal property tax replacement fund.~~

DIVISION III

Sec. 301. Section 422.42, subsection 3, Code 1987,  
is amended to read as follows:

3. "Retail sale" or "sale at retail" means the  
sale to a consumer or to any person for any purpose,  
other than for processing, for resale of tangible  
personal property or taxable services, or for resale  
of tangible personal property in connection with  
taxable services; and includes the sale of gas,  
electricity, water, and communication service to  
retail consumers or users; but does not include  
agricultural breeding livestock and domesticated fowl;  
or; and does not include commercial fertilizer,  
agricultural limestone, or herbicide, pesticide,  
insecticide, food, and medication, and or agricultural  
drain tile and, including installation thereof of  
agricultural drain tile, any of which are to be used  
in disease control, weed control, insect control, or  
health promotion of plants or livestock produced as  
part of agricultural production for market; and does  
not include electricity, steam, or any taxable service  
when purchased and used in the processing of tangible  
personal property intended to be sold ultimately at

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1 retail. When used by a manufacturer of food products,  
2 electricity, steam, and other taxable services are  
3 sold for processing when used to produce marketable  
4 food products for human consumption, including but not  
5 limited to, treatment of material to change its form,  
6 context, or condition, in order to produce the food  
7 product, maintenance of quality or integrity of the  
8 food product, changing or maintenance of temperature  
9 levels necessary to avoid spoilage or to hold the food  
10 product in marketable condition, maintenance of  
11 environmental conditions necessary for the safe or  
12 efficient use of machinery and material used to  
13 produce the food product, sanitation and quality  
14 control activities, formation of packaging, placement  
15 into shipping containers, and movement of the material  
16 or food product until shipment from the building of  
17 manufacture. Tangible personal property is sold for  
18 processing within the meaning of this subsection only  
19 when it is intended that the property will, by means  
20 of fabrication, compounding, manufacturing, or  
21 germination become an integral part of other tangible  
22 personal property intended to be sold ultimately at  
23 retail; or will be consumed as fuel in creating heat,  
24 power, or steam for processing including grain drying,  
25 or for providing heat or cooling for livestock  
26 buildings, or for generating electric current, or be  
27 consumed in self-propelled implements of husbandry  
28 engaged in agricultural production; or the property  
29 is a chemical, solvent, sorbent, or reagent, which is  
30 directly used and is consumed, dissipated, or  
31 depleted, in processing personal property which is  
32 intended to be sold ultimately at retail, and which  
33 may not become a component or integral part of the  
34 finished product. The distribution to the public of  
35 free newspapers or shoppers guides is a retail sale  
36 for purposes of the processing exemption.

37 Sec. 302. Section 422.45, Code 1987, is amended by  
38 adding the following new subsection:

39 NEW SUBSECTION. The gross receipts from the sale,  
40 furnishing, or service of gas, electricity, water, or  
41 heat to be used in agricultural production for market.

42 DIVISION IV

43 Sec. 401. Section 422.43, subsection 11, Code  
44 1987, is amended to read as follows:

45 11. The following enumerated services are subject  
46 to the tax imposed on gross taxable services:  
47 Alteration and garment repair; armored car; automobile  
48 repair; battery, tire and allied; investment  
49 counseling, excluding investment services of trust  
50 departments; bank service charges; barber and beauty;

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boat repair; car wash and wax; carpentry; roof, shingle, and glass repair; dance schools and dance studios; dry cleaning, pressing, dyeing, and laundering; electrical and electronic repair and installation; rental of tangible personal property; excavating and grading; farm implement repair of all kinds, except the repair of implements used in the production of livestock; flying service; furniture, rug, upholstery repair and cleaning; fur storage and repair; golf and country clubs and all commercial recreation; house and building moving; household appliance, television, and radio repair; jewelry and watch repair; machine operator; machine repair of all kinds; motor repair; motorcycle, scooter, and bicycle repair; oilers and lubricators; office and business machine repair; painting, papering, and interior decorating; parking facilities; pipe fitting and plumbing; wood preparation; licensed executive search agencies; private employment agencies, excluding services for placing a person in employment where the principal place of employment of that person is to be located outside of the state; sewing and stitching; shoe repair and shoeshine; storage warehousing of raw agricultural products; telephone answering service; test laboratories, except tests on humans; termite, bug, roach, and pest eradicators; tin and sheet metal repair; turkish baths, massage, and reducing salons; weighing; welding; well drilling; wrapping, packing, and packaging of merchandise other than processed meat, fish, fowl and vegetables; wrecking service; wrecker and towing; cable television; campgrounds; carpet and upholstery cleaning; gun and camera repair; janitorial and building maintenance or cleaning; lawn care, landscaping and tree trimming and removal; lobbying service; pet grooming; reflexology; security and detective services; tanning beds or salons; and water conditioning and softening. For purposes of this subsection, gross taxable services from rental includes rents, royalties, and copyright and license fees. For purposes of this subsection, "lobbying service" means the rendering, furnishing or performing, for a fee, salary or other compensation, activities which are intended or used for the purpose of encouraging the passage, defeat, or modification of legislation or for influencing the decision of the members of a legislative committee or subcommittee or the representing, for a fee, salary or other compensation, on a regular basis an organization which has as one of its purposes the encouragement of the passage, defeat or modification of legislation or the

1 influencing of the decision of the members of a  
2 legislative committee or a subcommittee. "Lobbying  
3 service" does not include the activities of a federal,  
4 state, or local government official or employee acting  
5 within the course of the official's or employee's  
6 duties or a representative of the news media engaged  
7 only in the reporting and dissemination of news and  
8 editorials.

9 Sec. 402. Section 422.45, subsection 26, paragraph  
10 b, Code 1987, is amended to read as follows:

11 b. The farm machinery and equipment shall  
12 constitute self-propelled implements or implements  
13 customarily drawn or attached to self-propelled  
14 implements or the farm machinery or equipment is a  
15 grain dryer or used in the production of livestock.

16 DIVISION V

17 Sec. 501. NEW SECTION. 427B.7 ACTUAL VALUE ADDED  
18 EXEMPTION FROM TAX -- CATTLE FACILITIES.

19 A city council, or a county board of supervisors as  
20 authorized by section 427B.2, may, by ordinance as  
21 provided in section 427B.1, establish a partial  
22 exemption from property taxation of the actual value  
23 added to owner-operated cattle facilities, including  
24 slaughter facilities and small or medium sized  
25 feedlots, either by new construction or by the  
26 retrofitting of existing facilities. The actual value  
27 added to owner-operated cattle facilities, as  
28 specified in section 427B.1, is eligible to receive a  
29 partial exemption from taxation for a period of five  
30 years. The amount of actual value added which is  
31 eligible to be exempt from taxation is the same as  
32 provided in the exemption schedule in section 427B.3.

33 DIVISION VI

34 Sec. 601. ASSISTANCE PROGRAMS -- FUNDING. The  
35 Iowa agricultural development authority shall develop  
36 and establish assistance programs for agricultural  
37 producers under this Act to be funded from moneys  
38 appropriated to the Iowa agricultural development  
39 authority for that purpose.

40 Sec. 602. EFFECTIVE DATE. This Act, being deemed  
41 of immediate importance, takes effect upon enactment."

42 2. Title page, line 1, by striking the words "the  
43 agricultural development authority" and inserting the  
44 following: "agriculture".

45 3. Title page, lines 4 and 5, by striking the  
46 words "making appropriations" and inserting the  
47 following: "providing a property tax credit for  
48 certain facilities used in producing meat, providing  
49 an exemption from the sales, services, and use tax on  
50 utilities or fuel to be used in agricultural

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1 production for market and in agricultural production  
2 of equipment or its repair if used in the production  
3 of livestock, providing for a property tax exemption  
4 for certain cattle facilities, providing for funding".

5 4. By renumbering as necessary.

HOUSE FILE 626

S-3537

1 Amend amendment, S-3492, to House File 626 as  
2 amended, passed and reprinted by the House as follows:  
3 1. Page 2, line 14, by striking the words "rate,  
4 if the amount" and inserting the following: "rate on  
5 that portion".  
6 2. Page 2, line 15, by inserting after the word  
7 "loan" the following: "which".  
8 3. Page 2, by striking lines 20 through 22, and  
9 inserting the following: "for the term of the loan or  
10 within one year from the loan initiation date as  
11 defined by rules adopted by the authority."

S-3537

Filed April 14, 1987

BY EMIL J. HUSAK

ADOPTED (p. 1304)



HOUSE FILE 626

S-3561

- 1 Amend the amendment, S-3492, to House File 626 as
- 2 amended, passed and reprinted by the House as follows:
- 3 1. Page 1, line 14, by inserting after the word
- 4 "operations" the following: "and sheep production
- 5 operations".
- 6 2. Page 1, line 22, by inserting after the word
- 7 "cattle" the following: "or sheep".
- 8 3. Page 1, line 38, by inserting after the word
- 9 "PRODUCERS" the following: "AND SHEEP PRODUCERS".
- 10 4. Page 1, line 42, by inserting after the word
- 11 "operations" the following: "or sheep production
- 12 operations".
- 13 5. Page 1, line 48, by inserting after the words
- 14 "beef cattle" the following: "or sheep".
- 15 6. Page 1, line 49, by inserting after the word
- 16 "operation" the following: "or sheep production
- 17 operation".
- 18 7. Page 2, line 4, by inserting after the word
- 19 "stock" the following: "or sheep breeding stock".
- 20 8. Page 2, line 7, by inserting after the word
- 21 "stock" the following: "or sheep breeding stock".
- 22 9. Page 2, line 29, by inserting after the word
- 23 "production" the following: "or sheep production".
- 24 10. Page 2, line 35, by inserting after the word
- 25 "production" the following: "or sheep production".
- 26 11. Page 2, line 47, by inserting after the word
- 27 "production" the following: "or sheep production".
- 28 12. Page 2, line 49, by inserting after the word
- 29 "operations" the following: "or sheep production
- 30 operations".
- 31 13. Page 3, line 8, by inserting after the word
- 32 "operation" the following: "or sheep production
- 33 operation".
- 34 14. Page 3, line 14, by inserting after the word
- 35 "operation" the following: "or sheep production
- 36 operation".
- 37 15. Page 8, by inserting after line 44 the
- 38 following:
- 39 "\_\_\_\_\_. Title page, line 4, by inserting after the
- 40 word "producers" the following: "or sheep
- 41 producers"."
- 42 16. By renumbering as necessary.

S-3561

Filed April 14, 1987

BY FORREST SCHWENGELS

ADOPTED (p. 1364)

## SENATE AMENDMENT TO HOUSE FILE 626

H-3835

1 Amend House File 626 as passed by the House as  
2 follows:

3 1. By striking everything after the enacting  
4 clause and inserting the following:

5 "DIVISION I

6 Sec. 101. Section 175.2, subsection 3, Code 1987,  
7 is amended to read as follows:

8 3. "Agricultural producer" means a person engaged  
9 or intending to engage in the business of producing  
10 and marketing agricultural produce in this state.

11 Sec. 102. Section 175.4, Code 1987, is amended by  
12 adding the following new subsections:

13 NEW SUBSECTION. 19. The decline in the number of  
14 beef cattle production operations and sheep production  
15 operations is a serious problem within the state,  
16 resulting in the conversion of land used for pasture  
17 to row crop production, and threatens to destroy a  
18 significant part of Iowa's agricultural base and  
19 damage the economic viability of the state.

20 NEW SUBSECTION. 20. It is necessary to create a  
21 program in this state to assist agricultural producers  
22 who have established or intend to establish beef  
23 cattle or sheep production operations, to obtain  
24 adequate financing, and management assistance and  
25 training, and to convert land used for row crop  
26 production to pasture.

27 Sec. 103. Section 175.35, subsection 3, Code 1987,  
28 is amended by adding the following new paragraphs:

29 NEW PARAGRAPH. g. The farmer has a net worth of  
30 not more than two hundred thousand dollars.

31 NEW PARAGRAPH. h. The farmer develops a farm unit  
32 conservation plan and enters into a conservation  
33 agreement, as defined in section 467A.42, with the  
34 commissioners of the soil conservation district where  
35 the land is located within one year from the date of  
36 entering into the program, unless the authority  
37 requires a shorter period by rule.

38 Sec. 104. NEW SECTION. 175.36 ASSISTANCE AND  
39 MANAGEMENT PROGRAMS FOR BEEF CATTLE PRODUCERS AND  
40 SHEEP PRODUCERS.

41 1. The authority shall create and develop programs  
42 to assist agricultural producers who have established  
43 or intend to establish in this state, beef cattle  
44 production operations or sheep production operations,  
45 including but not limited to the following assistance:

46 a. INSURANCE OR LOAN GUARANTEE PROGRAM. An  
47 insurance or loan guarantee program to provide for the  
48 insuring or guaranteeing of all or part of a loan made  
49 to an agricultural producer for the acquisition of  
50 beef cattle or sheep to establish or expand a feeder

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1 cattle operation or sheep production operation.

2 b. AN INTEREST BUY-DOWN PROGRAM. The authority  
3 may contract with a participating lending institution  
4 and a qualified agricultural producer to reduce the  
5 interest rate charged on a loan for the acquisition of  
6 beef cattle breeding stock or sheep breeding stock.  
7 The authority shall determine the amount that the rate  
8 is reduced, by considering the lending institution's  
9 customary loan rate for the acquisition of beef cattle  
10 breeding stock or sheep breeding stock as certified to  
11 the authority by the lending institution.

12 As part of the contract, in order to partially  
13 reimburse the lending institution for the reduction of  
14 the interest rate on the loan, the authority may agree  
15 to grant the lending institution any amount foregone  
16 by reducing the interest rate on that portion of the  
17 loan which is one hundred thousand dollars or less.  
18 However, the amount reimbursed shall not be more than  
19 the lesser of either of the following:

20 (1) Three percent per annum of the principal  
21 balance of the loan which is outstanding at any time  
22 for the term of the loan or within one year from the  
23 loan initiation date as defined by rules adopted by  
24 the authority.

25 (2) Fifty percent of the amount of interest  
26 foregone by the lending institution on the loan.

27 c. A COST-SHARING PROGRAM. The authority may  
28 contract with an agricultural producer to reimburse  
29 the producer for the cost of converting land planted  
30 to row crops to pasture suitable for beef cattle  
31 production or sheep production. However, the amount  
32 reimbursed shall not be more than twenty-five dollars  
33 per acre converted, or fifty percent of the conversion  
34 costs, whichever is less. The contract shall apply to  
35 not more than one hundred fifty acres of row crop land  
36 converted to pasture. The converted land shall be  
37 utilized in beef cattle production or sheep production  
38 for a minimum of five years. The amount to be  
39 reimbursed shall be reduced by the amount that the  
40 agricultural producer receives under any other state  
41 or federal program that contributes toward the cost of  
42 converting the same land from row crops to pasture.

43 d. A MANAGEMENT ASSISTANCE AND TRAINING PROGRAM.  
44 The authority in cooperation with any agency or  
45 instrumentality of the federal government or with any  
46 state agency, including any state university or those  
47 associations organized for the purpose of assisting  
48 agricultural producers involved in beef cattle  
49 production or sheep production, shall establish  
50 programs to train and assist agricultural producers to

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Page Three

1 effectively manage beef cattle production operations  
2 or sheep production operations.

3 2. An agricultural producer shall be eligible to  
4 participate in a program established under this  
5 section only if all the following criteria are  
6 satisfied:

7 a. The agricultural producer is a resident of the  
8 state.

9 b. The agricultural producer has land or other  
10 facilities available to establish a beef cattle  
11 production operation or sheep production operation as  
12 prescribed by rules of the authority.

13 c. The agricultural producer is an individual,  
14 partnership, or a family farm corporation, as defined  
15 in section 172C.1, subsection 8.

16 d. The land or other facilities available to  
17 establish a beef cattle production operation or sheep  
18 production operation are located within the state.

19 e. The agricultural producer has a net worth of  
20 four hundred thousand dollars or less.

21 f. The agricultural producer develops a farm unit  
22 conservation plan and enters into a conservation  
23 agreement, as defined in section 467A.42, with the  
24 commissioners of the soil conservation district where  
25 the land is located within one year from the date of  
26 entering into the program, unless the authority  
27 requires a shorter period of time by rule.

28 3. The authority shall adopt rules to enforce the  
29 provisions of this section or the terms of a contract  
30 to which the authority is a party. The authority may  
31 also enforce the provisions of this section or terms  
32 of the contract by bringing an action in any court of  
33 competent jurisdiction to recover damages. As a  
34 condition of entering into the program, the authority  
35 may require that the agricultural producer consent to  
36 the jurisdiction of the courts of this state to hear  
37 any matter arising from the provisions of this  
38 section.

39 DIVISION II

40 Sec. 201. Section 331.429, subsection 1, paragraph  
41 a, Code 1987, is amended to read as follows:

42 a. Transfers from the general fund not to exceed  
43 in any year the dollar equivalent of a tax of sixteen  
44 and seven-eighths cents per thousand dollars of  
45 assessed value on all taxable property in the county  
46 and an amount equivalent to the moneys derived by the  
47 general fund from ~~livestock-tax-credits-under-section~~  
48 ~~427-177~~ military service tax credits under chapter  
49 426A, and mobile home taxes under section 135D.22  
50 multiplied by the ratio of sixteen and seven-eighths

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Page Four

1 cents to the general fund tax rate.

2 Sec. 202. Section 427.17, subsections 2 and 3,  
3 Code 1987, are amended by striking the subsections and  
4 inserting in lieu thereof the following:

5 2. A property tax credit for every head of cattle,  
6 not to exceed three hundred head, bought, raised, or  
7 sold in the state by a producer is allowed on the tax  
8 levied on the farm structures utilized in raising the  
9 cattle, which structures do not include structures  
10 utilized for grain or machine storage. The amount of  
11 the credit is three dollars per head if bought in the  
12 state, six dollars per head if bought and sold for  
13 slaughter at facilities in this state, or nine dollars  
14 per head if bought, raised immediately before  
15 slaughter, and sold for slaughter at facilities in  
16 this state. The tax credit shall be provided to the  
17 owner of the farm structures. The tax credit shall  
18 not exceed two thousand seven hundred dollars per  
19 owner.

20 3. To claim the credit allowed in subsection 2,  
21 the owner of the farm structures shall file an  
22 application for the credit by February 1 of the year  
23 following the calendar year upon which the credit is  
24 based with the county auditor of the county in which  
25 the farm structures are located. The credit shall be  
26 allowed against the taxes due and payable in the first  
27 fiscal year following the calendar year upon which the  
28 credit is based. The application shall indicate the  
29 number of head of cattle bought, raised, or sold in  
30 the state during the previous calendar year, and shall  
31 include copies of receipts or invoices for the  
32 purchase or sale for slaughter of the cattle during  
33 the previous calendar year. On or before April 1 of  
34 each year, after review and approval by the county  
35 board of supervisors, the county auditor of each  
36 county shall certify to the director of revenue and  
37 finance the amount of credit allowed in the county  
38 under this section. If the county auditor or the  
39 board of supervisors denies a claim, notice of the  
40 denial shall be given to the claimant. The claimant  
41 may appeal the denial first to the board of  
42 supervisors, then to the district court of that  
43 county. As used in this section:

44 a. "Producer" means a person engaged in the  
45 business of producing cattle.

46 b. "Owner" means the person who under the property  
47 tax laws of this state is liable for the payment of  
48 the property taxes on the farm structures utilized in  
49 raising cattle. "Owner" does not include a person who  
50 becomes an owner solely for the purpose of receiving

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1 the benefits of this section.

2 Sec. 203. Section 427.17, subsection 4, Code 1987,  
3 is amended to read as follows:

4 4. The amounts due each taxing district to  
5 reimburse them for the property tax credits allowed  
6 pursuant to this section shall be paid on warrants  
7 payable to the respective county treasurers by the  
8 director of revenue and finance on July 15 of each  
9 year. The county treasurer shall apportion the  
10 proceeds to the various taxing districts in the  
11 county.

12 Sec. 204. Section 442.2, subsection 2, Code 1987,  
13 is amended to read as follows:

14 2. ~~The amount paid to each school district for the~~  
15 ~~tax credit for livestock under section 427.17 shall be~~  
16 ~~regarded as property tax. The portion of the payment~~  
17 ~~which is foundation property tax shall be determined~~  
18 ~~by applying the foundation property tax rate to the~~  
19 ~~taxable value of livestock assessed for taxation in~~  
20 ~~the district as of January 1, 1977, determined~~  
21 ~~pursuant to section 427.17, and adjusted to actual~~  
22 ~~value as provided in Acts of the Sixty-fifth General~~  
23 ~~Assembly, chapter 223, section 174. A school~~  
24 ~~district is hereby authorized to may~~ levy a tax on all  
25 of the taxable property within the district in an  
26 amount equal to the difference between the amount due  
27 to a school district from the personal property tax  
28 replacement fund for the preceding year and the amount  
29 actually received during the preceding fiscal year  
30 from the personal property tax replacement fund.

31 DIVISION III

32 Sec. 301. Section 422.42, subsection 3, Code 1987,  
33 is amended to read as follows:

34 3. "Retail sale" or "sale at retail" means the  
35 sale to a consumer or to any person for any purpose,  
36 other than for processing, for resale of tangible  
37 personal property or taxable services, or for resale  
38 of tangible personal property in connection with  
39 taxable services; and includes the sale of gas,  
40 electricity, water, and communication service to  
41 retail consumers or users; but does not include  
42 agricultural breeding livestock and domesticated fowl;  
43 or; and does not include commercial fertilizer,  
44 agricultural limestone, or herbicide, pesticide,  
45 insecticide, food, and medication, and or agricultural  
46 drain tile and, including installation thereof of  
47 agricultural drain tile, any of which are to be used  
48 in disease control, weed control, insect control, or  
49 health promotion of plants or livestock produced as  
50 part of agricultural production for market; and does

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1 not include electricity, steam, or any taxable service  
2 when purchased and used in the processing of tangible  
3 personal property intended to be sold ultimately at  
4 retail. When used by a manufacturer of food products,  
5 electricity, steam, and other taxable services are  
6 sold for processing when used to produce marketable  
7 food products for human consumption, including but not  
8 limited to, treatment of material to change its form,  
9 context, or condition, in order to produce the food  
10 product, maintenance of quality or integrity of the  
11 food product, changing or maintenance of temperature  
12 levels necessary to avoid spoilage or to hold the food  
13 product in marketable condition, maintenance of  
14 environmental conditions necessary for the safe or  
15 efficient use of machinery and material used to  
16 produce the food product, sanitation and quality  
17 control activities, formation of packaging, placement  
18 into shipping containers, and movement of the material  
19 or food product until shipment from the building of  
20 manufacture. Tangible personal property is sold for  
21 processing within the meaning of this subsection only  
22 when it is intended that the property will, by means  
23 of fabrication, compounding, manufacturing, or  
24 germination become an integral part of other tangible  
25 personal property intended to be sold ultimately at  
26 retail; or will be consumed as fuel in creating heat,  
27 power, or steam for processing including grain drying,  
28 or for providing heat or cooling for livestock  
29 buildings, or for generating electric current, or be  
30 consumed in self-propelled implements of husbandry  
31 engaged in agricultural production; or the property  
32 is a chemical, solvent, sorbent, or reagent, which is  
33 directly used and is consumed, dissipated, or  
34 depleted, in processing personal property which is  
35 intended to be sold ultimately at retail, and which  
36 may not become a component or integral part of the  
37 finished product. The distribution to the public of  
38 free newspapers or shoppers guides is a retail sale  
39 for purposes of the processing exemption.

40 Sec. 302. Section 422.45, Code 1987, is amended by  
41 adding the following new subsection:

42 NEW SUBSECTION. The gross receipts from the sale,  
43 furnishing, or service of gas, electricity, water, or  
44 heat to be used in agricultural production for market.

45 DIVISION IV

46 Sec. 401. Section 422.43, subsection 11, Code  
47 1987, is amended to read as follows:

48 11. The following enumerated services are subject  
49 to the tax imposed on gross taxable services:

50 Alteration and garment repair; armored car; automobile

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1 repair; battery, tire and allied; investment  
2 counseling, excluding investment services of trust  
3 departments; bank service charges; barber and beauty;  
4 boat repair; car wash and wax; carpentry; roof,  
5 shingle, and glass repair; dance schools and dance  
6 studios; dry cleaning, pressing, dyeing, and  
7 laundering; electrical and electronic repair and  
8 installation; rental of tangible personal property;  
9 excavating and grading; farm implement repair of all  
10 kinds, except the repair of implements used in the  
11 production of livestock; flying service; furniture,  
12 rug, upholstery repair and cleaning; fur storage and  
13 repair; golf and country clubs and all commercial  
14 recreation; house and building moving; household  
15 appliance, television, and radio repair; jewelry and  
16 watch repair; machine operator; machine repair of all  
17 kinds; motor repair; motorcycle, scooter, and bicycle  
18 repair; oilers and lubricators; office and business  
19 machine repair; painting, papering, and interior  
20 decorating; parking facilities; pipe fitting and  
21 plumbing; wood preparation; licensed executive search  
22 agencies; private employment agencies, excluding  
23 services for placing a person in employment where the  
24 principal place of employment of that person is to be  
25 located outside of the state; sewing and stitching;  
26 shoe repair and shoeshine; storage warehousing of raw  
27 agricultural products; telephone answering service;  
28 test laboratories, except tests on humans; termite,  
29 bug, roach, and pest eradicators; tin and sheet metal  
30 repair; turkish baths, massage, and reducing salons;  
31 weighing; welding; well drilling; wrapping, packing,  
32 and packaging of merchandise other than processed  
33 meat, fish, fowl and vegetables; wrecking service;  
34 wrecker and towing; cable television; campgrounds;  
35 carpet and upholstery cleaning; gun and camera repair;  
36 janitorial and building maintenance or cleaning; lawn  
37 care, landscaping and tree trimming and removal;  
38 lobbying service; pet grooming; reflexology; security  
39 and detective services; tanning beds or salons; and  
40 water conditioning and softening. For purposes of  
41 this subsection, gross taxable services from rental  
42 includes rents, royalties, and copyright and license  
43 fees. For purposes of this subsection, "lobbying  
44 service" means the rendering, furnishing or  
45 performing, for a fee, salary or other compensation,  
46 activities which are intended or used for the purpose  
47 of encouraging the passage, defeat, or modification of  
48 legislation or for influencing the decision of the  
49 members of a legislative committee or subcommittee or  
50 the representing, for a fee, salary or other



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1 compensation, on a regular basis an organization which  
2 has as one of its purposes the encouragement of the  
3 passage, defeat or modification of legislation or the  
4 influencing of the decision of the members of a  
5 legislative committee or a subcommittee. "Lobbying  
6 service" does not include the activities of a federal,  
7 state, or local government official or employee acting  
8 within the course of the official's or employee's  
9 duties or a representative of the news media engaged  
10 only in the reporting and dissemination of news and  
11 editorials.

12 Sec. 402. Section 422.45, subsection 26, paragraph  
13 b, Code 1987, is amended to read as follows:

14 b. The farm machinery and equipment shall  
15 constitute self-propelled implements or implements  
16 customarily drawn or attached to self-propelled  
17 implements or the farm machinery or equipment is a  
18 grain dryer or used in the production of livestock.

## DIVISION V

20 Sec. 501. NEW SECTION. 427B.7 ACTUAL VALUE ADDED  
21 EXEMPTION FROM TAX -- CATTLE FACILITIES.

22 A city council, or a county board of supervisors as  
23 authorized by section 427B.2, may, by ordinance as  
24 provided in section 427B.1, establish a partial  
25 exemption from property taxation of the actual value  
26 added to owner-operated cattle facilities, including  
27 slaughter facilities and small or medium sized  
28 feedlots, either by new construction or by the  
29 retrofitting of existing facilities. The actual value  
30 added to owner-operated cattle facilities, as  
31 specified in section 427B.1, is eligible to receive a  
32 partial exemption from taxation for a period of five  
33 years. The amount of actual value added which is  
34 eligible to be exempt from taxation is the same as  
35 provided in the exemption schedule in section 427B.3.

## DIVISION VI

37 Sec. 601. ASSISTANCE PROGRAMS -- FUNDING. The  
38 Iowa agricultural development authority shall develop  
39 and establish assistance programs for agricultural  
40 producers under this Act to be funded from moneys  
41 appropriated to the Iowa agricultural development  
42 authority for that purpose.

43 Sec. 602. EFFECTIVE DATE. This Act, being deemed  
44 of immediate importance, takes effect upon enactment."

45 2. Title page, line 1, by striking the words "the  
46 agricultural development authority" and inserting the  
47 following: "agriculture".

48 3. Title page, line 4, by inserting after the  
49 word "producers" the following: "or sheep producers".

50 4. Title page, lines 4 and 5, by striking the

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1 words "making appropriations" and inserting the  
2 following: "providing a property tax credit for  
3 certain facilities used in producing meat, providing  
4 an exemption from the sales, services, and use tax on  
5 utilities or fuel to be used in agricultural  
6 production for market and in agricultural production  
7 of equipment or its repair if used in the production  
8 of livestock, providing for a property tax exemption  
9 for certain cattle facilities, providing for funding".  
10 5. By renumbering as necessary.

H-3835 FILED APRIL 16, 1987 RECEIVED FROM THE SENATE

*House amended (4-23-87) ✓  
conferred 5/6/87 (p. 2056)  
Reconsidered, further amended (4-20-87 to 4-23-87)  
3 conferred 5/7/87 (p. 2172)*

## HOUSE FILE 626

H-4237

Amend the Senate amendment, H-3835, to House File 626, as amended, passed, and reprinted by the House as follows:

1. By striking page 1, line 3 through page 9, line 10 and inserting the following:  
"\_\_\_\_". By striking everything after the enacting clause and inserting the following:

"DIVISION I  
Section 101. Section 175.2, subsection 3, Code 1987, is amended to read as follows:

3. "Agricultural producer" means a person engaged or intending to engage in the business of producing and marketing agricultural produce in this state.

Sec. 102. Section 175.4, Code 1987, is amended by adding the following new subsections:

NEW SUBSECTION. 19. The decline in the number of beef cattle production operations is a serious problem within the state, resulting in the conversion of land used for pasture to row crop production, which threatens to destroy a significant part of Iowa's agricultural base and damage the economic viability of the state.

NEW SUBSECTION. 20. It is necessary to create a program in this state to assist agricultural producers who have established or intend to establish beef cattle production operations, to obtain adequate financing, and management assistance and training, and to convert land used for row crop production to pasture.

Sec. 103. Section 175.35, subsection 3, Code 1987, is amended by adding the following new paragraphs:

NEW PARAGRAPH. g. The farmer has a net worth of not more than two hundred thousand dollars.

NEW PARAGRAPH. h. The farmer develops a farm unit conservation plan, as defined in section 467A.42, with the commissioners of the soil conservation district where the land is located within one year from the date of entering into the program, unless the authority prescribes a shorter period by rule.

Sec. 104. NEW SECTION. 175.36 ASSISTANCE AND MANAGEMENT PROGRAMS FOR BEEF CATTLE PRODUCERS.

1. The authority shall create and develop programs to assist agricultural producers who have established or intend to establish in this state, beef cattle production operations, including but not limited to the following assistance:

a. INSURANCE OR LOAN GUARANTEE PROGRAM. An insurance or loan guarantee program to provide for the insuring or guaranteeing of all or part of a loan made to an agricultural producer for the acquisition of

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1 beef cattle to establish or expand a feeder cattle  
2 operation.

3 b. AN INTEREST BUY-DOWN PROGRAM. The authority  
4 may contract with a participating lending institution  
5 and a qualified agricultural producer to reduce the  
6 interest rate charged on a loan for the acquisition of  
7 beef cattle breeding stock. The authority shall  
8 determine the amount that the rate is reduced, by  
9 considering the lending institution's customary loan  
10 rate for the acquisition of beef cattle breeding stock  
11 as certified to the authority by the lending  
12 institution.

13 As part of the contract, in order to partially  
14 reimburse the lending institution for the reduction of  
15 the interest rate on the loan, the authority may agree  
16 to grant the lending institution any amount foregone  
17 by reducing the interest rate on that portion of the  
18 loan which is one hundred thousand dollars or less.  
19 However, the amount reimbursed shall not be more than  
20 the lesser of the following:

21 (1) Three percent per annum of the principal  
22 balance of the loan outstanding at any time for the  
23 term of the loan or within one year from the loan  
24 initiation date as defined by rules adopted by the  
25 authority, whichever is less.

26 (2) Fifty percent of the amount of interest  
27 foregone by the lending institution on the loan.

28 c. A COST-SHARING PROGRAM. The authority may  
29 contract with an agricultural producer to reimburse  
30 the producer for the cost of converting land planted  
31 to row crops to pasture suitable for beef cattle  
32 production. However, the amount reimbursed shall not  
33 be more than twenty-five dollars per acre converted,  
34 or fifty percent of the conversion costs, whichever is  
35 less. The contract shall apply to not more than one  
36 hundred fifty acres of row crop land converted to  
37 pasture. The converted land shall be utilized in beef  
38 cattle production for a minimum of five years. The  
39 amount to be reimbursed shall be reduced by the amount  
40 that the agricultural producer receives under any  
41 other state or federal program that contributes toward  
42 the cost of converting the same land from row crops to  
43 pasture.

44 d. A MANAGEMENT ASSISTANCE AND TRAINING PROGRAM.  
45 The authority in cooperation with any agency or  
46 instrumentality of the federal government or with any  
47 state agency, including any state university or those  
48 associations organized for the purpose of assisting  
49 agricultural producers involved in beef cattle  
50 production, or with any farm management company if

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such company specializes in beef cattle production or in assisting beef cattle producers, as prescribed by 3 rules adopted by the authority, shall establish 4 programs to train and assist agricultural producers to 5 effectively manage beef cattle production operations.

6 2. An agricultural producer shall be eligible to 7 participate in a program established under this 8 section only if all the following criteria are 9 satisfied:

10 a. The agricultural producer is a resident of the 11 state.

12 b. The agricultural producer has land or other 13 facilities available to establish a beef cattle 14 production operation as prescribed by rules of the 15 authority.

16 c. The agricultural producer is an individual, 17 partnership, or a family farm corporation, as defined 18 in section 172C.1, subsection 8.

19 d. The land or other facilities available to 20 establish a beef cattle production operation are 21 located within the state.

22 e. The agricultural producer has a net worth of 23 four hundred thousand dollars or less.

24 f. The agricultural producer develops a farm unit 25 conservation plan, as defined in section 467A.42, with 26 the commissioners of the soil conservation district 27 where the land is located within one year from the 28 date of entering into the program, unless the 29 authority prescribes a shorter period of time by rule.

30 3. The authority shall adopt rules to enforce the 31 provisions of this section or the terms of a contract 32 to which the authority is a party. The authority may 33 also enforce the provisions of this section or terms 34 of the contract by bringing an action in any court of 35 competent jurisdiction to recover damages. As a 36 condition of entering into the program, the authority 37 may require that the agricultural producer consent to 38 the jurisdiction of the courts of this state to hear 39 any matter arising from the provisions of this 40 section.

41 DIVISION II

42 Sec. 201. Section 331.429, subsection 1, paragraph 43 a, Code 1987, is amended to read as follows:

44 a. Transfers from the general fund not to exceed 45 in any year the dollar equivalent of a tax of sixteen 46 and seven-eighths cents per thousand dollars of 47 assessed value on all taxable property in the county 48 and an amount equivalent to the moneys derived by the 49 general fund from ~~livestock-tax-credits-under-section~~ 427.17, military service tax credits under chapter

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1 426A7 and mobile home taxes under section 135D.22  
2 multiplied by the ratio of sixteen and seven-eighths  
3 cents to the general fund tax rate.

4 Sec. 202. Section 427.17, subsections 2 through 5,  
5 Code 1987, are amended to read as follows:

6 2. A tax credit shall be allowed each taxing  
7 school district in the state for each head of  
8 livestock that was assessed as of January 1, 1973.  
9 The tax credit shall ~~commence-and-be-effective-for-the~~  
10 ~~tax-year-1974-and-each-year-thereafter~~ be based upon  
11 the livestock assessed as of January 1, 1973.

12 3. On or before January 15, 1974, the county  
13 auditor of each county shall prepare a statement  
14 listing for each taxing district in the county the  
15 assessed or taxable values of all livestock assessed  
16 for taxation as of January 1, 1973. The statement  
17 shall also show the tax rates of the various taxing  
18 districts and the total amount of taxes which in the  
19 absence of this section would have been levied upon  
20 livestock assessed as of January 1, 1973. The county  
21 auditor shall certify and forward copies of the  
22 statement to the director of revenue and finance not  
23 later than January 15, 1974. ~~The~~ For the taxes  
24 payable for fiscal year 1987 and for subsequent fiscal  
25 years, the director of revenue and finance shall  
26 compute the applicable tax credit and the amount due  
27 to each taxing school district, which amount shall be  
28 the dollar amount which would be payable if all  
29 livestock so assessed were taxed, based upon those  
30 assessed as of January 1, 1973.

31 4. The amounts due each taxing school district  
32 shall be paid on warrants payable to the respective  
33 county treasurers by the director of revenue and  
34 finance on July 15 of each year. The county treasurer  
35 shall apportion the proceeds to the various taxing  
36 school districts in the county.

37 5. In the event that the amount appropriated for  
38 reimbursement of the taxing school districts is  
39 insufficient to pay in full the amounts due to each of  
40 the taxing school districts, then the amount of each  
41 payment shall be reduced by the director of revenue  
42 and finance according to the ratio that the total  
43 amount of funds to be paid to each taxing school  
44 district bears to the total amount to be paid to all  
45 taxing school districts in the state.

## DIVISION III

46  
47 Sec. 301. Section 422.42, subsection 3, Code 1987,  
48 is amended to read as follows:

49 3. "Retail sale" or "sale at retail" means the  
50 sale to a consumer or to any person for any purpose,

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other than for processing, for resale of tangible personal property or taxable services, or for resale of tangible personal property in connection with taxable services; and includes the sale of gas, electricity, water, and communication service to retail consumers or users; but does not include agricultural breeding livestock and domesticated fowl or; and does not include commercial fertilizer, agricultural limestone, or herbicide, pesticide, insecticide, food, and medication, and or agricultural drain tile and, including installation thereof of agricultural drain tile, any of which are to be used in disease control, weed control, insect control, or health promotion of plants or livestock produced as part of agricultural production for market; and does not include electricity, steam, or any taxable service when purchased and used in the processing of tangible personal property intended to be sold ultimately at retail. When used by a manufacturer of food products, electricity, steam, and other taxable services are sold for processing when used to produce marketable food products for human consumption, including but not limited to, treatment of material to change its form, context, or condition, in order to produce the food product, maintenance of quality or integrity of the food product, changing or maintenance of temperature levels necessary to avoid spoilage or to hold the food product in marketable condition, maintenance of environmental conditions necessary for the safe or efficient use of machinery and material used to produce the food product, sanitation and quality control activities, formation of packaging, placement into shipping containers, and movement of the material or food product until shipment from the building of manufacture. Tangible personal property is sold for processing within the meaning of this subsection only when it is intended that the property will, by means of fabrication, compounding, manufacturing, or germination become an integral part of other tangible personal property intended to be sold ultimately at retail; or will be consumed as fuel in creating heat, power, or steam for processing including grain drying, or for providing heat or cooling for livestock buildings, or for generating electric current, or be consumed in self-propelled implements of husbandry engaged in agricultural production; or the property is a chemical, solvent, sorbent, or reagent, which is directly used and is consumed, dissipated, or depleted, in processing personal property which is intended to be sold ultimately at retail, and which

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1 may not become a component or integral part of the  
2 finished product. The distribution to the public of  
3 free newspapers or shoppers guides is a retail sale  
4 for purposes of the processing exemption.

5 Sec. 302. Section 422.45, Code 1987, is amended by  
6 adding the following new subsection:

7 NEW SUBSECTION. The gross receipts from the sale,  
8 furnishing, or service of gas, electricity, water, or  
9 heat to be used in agricultural production for market.

## DIVISION IV

10 Sec. 401. NEW SECTION. 422.47C REFUNDS --

11 AGRICULTURAL IMPLEMENTS, MACHINERY OR EQUIPMENT.

12 1. Sales, services, and use taxes paid on repairs  
13 to implements or on the purchase or rental of farm  
14 machinery or equipment, including replacement parts  
15 which are depreciable for state and federal income tax  
16 purposes, shall be refunded to the owner, purchaser,  
17 or renter provided all of the following conditions are  
18 met:

19 met:  
20 a. The repairs, purchase, or rental was made on or  
21 after July 1, 1987.

22 b. The tax was paid to the retailer or timely paid  
23 to the department by the user if section 423.14 is  
24 applicable.

25 c. The claim is filed on forms provided by the  
26 department and is filed between July 1 and September 1  
27 for the previous calendar year.

28 d. The implements, machinery or equipment is  
29 directly and primarily used in livestock or dairy  
30 production.

31 e. The implement is not a self-propelled implement  
32 or an implement customarily drawn or attached to a  
33 self-propelled implement, and the machinery or  
34 equipment is not a grain dryer, subject to an  
35 exemption under section 422.45.

36 2. A claim for refund timely filed under  
37 subsection 1 shall be paid by the department within  
38 ninety days after the last date a claim may be filed  
39 under this section. The department of revenue and  
40 finance shall not in any calendar year pay more than  
41 three million eight hundred thousand dollars in claims  
42 for refunds filed pursuant to this section. If the  
43 department determines that the amount of claims is  
44 greater than the amount of moneys available to fully  
45 satisfy all claims, the refunds shall be paid on a  
46 prorated basis. A claimant who makes an erroneous  
47 application for refund shall be liable for payment of  
48 any refund paid plus interest at the rate in effect  
49 under section 421.7. In addition, a claimant who  
50 willfully makes a false application for refund is



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guilty of a simple misdemeanor and is liable for a penalty equal to fifty percent of the refund claimed. Refunds, penalties, and interest due under this section may be enforced and collected in the same manner as the tax imposed by this division.

DIVISION V

Sec. 501. NEW SECTION. 427B.7 ACTUAL VALUE ADDED EXEMPTION FROM TAX -- CATTLE FACILITIES.

A city council, or a county board of supervisors as authorized by section 427B.2, may, by ordinance as provided in section 427B.1, establish a partial exemption from property taxation of the actual value added to owner-operated cattle facilities, including small or medium sized feedlots but not including slaughter facilities, either by new construction or by the retrofitting of existing facilities. The application for the exemption shall be filed pursuant to section 427B.4. The actual value added to owner-operated cattle facilities, as specified in section 427B.1, is eligible to receive a partial exemption from taxation for a period of five years. The amount of actual value added which is eligible to be exempt from taxation is the same as provided in the exemption schedule in section 427B.3.

DIVISION VI

Sec. 601. ASSISTANCE PROGRAMS -- FUNDING. The Iowa agricultural development authority shall develop and establish assistance programs for agricultural producers under this Act to be funded from moneys appropriated to the Iowa agricultural development authority for that purpose.

Sec. 602. EFFECTIVE DATE. Division I of this Act, being deemed of immediate importance, takes effect upon enactment."

\_\_\_\_\_. Title page, line 1, by striking the words "the agricultural development authority" and inserting the following: "agriculture".

\_\_\_\_\_. Title page, lines 4 and 5, by striking the words "making appropriations" and inserting the following: "maintaining certain tax credits to school districts, providing for certain tax exemptions, providing refunds for claims related to dairy or livestock implements, equipment or machinery, providing for a property tax exemption for certain cattle facilities,."

2. By renumbering as necessary.

BY SKOW of Guthrie  
PETERSEN of Muscatine  
STROMER of Hancock  
REMNER of Buchanan

FOGARTY of Palo Alto  
MUHLBAUER of Crawford  
COOPER of Lucas  
BRANSTAD of Winnebago

H-4237 FILED MAY 6, 1987

ADOPTED (7-2056)

Re-numbered, amended by 4296-1 adopted 5/7/87 (7-2142)

HOUSE FILE 626

H-4296

1 Amend amendment, H-4237, to the Senate amendment,  
2 H-3855, to House File 626, as amended, passed, and  
3 reprinted by the House, as follows:  
4 1. Page 6, by striking line 9 and inserting the  
5 following: "heat to be used in implements of  
6 husbandry engaged in agricultural production."

H-4296 FILED MAY 7, 1987

BY SKOW of Guthrie

ADOPTED (3/8/87)

May 10, 1987

HOUSE AMENDMENT TO  
SENATE AMENDMENT TO  
HOUSE FILE 626

-4086

1 Amend the Senate amendment, H-3835, to House File  
2 626, as amended, passed, and reprinted by the House as  
3 follows:

4 1. By striking page 1, line 3 through page 9,  
5 line 10 and inserting the following:

6 "\_\_\_\_\_. By striking everything after the enacting  
7 clause and inserting the following:

8 "DIVISION I

9 Section 101. Section 175.2, subsection 3, Code  
10 1987, is amended to read as follows:

11 3. "Agricultural producer" means a person engaged  
12 or intending to engage in the business of producing  
13 and marketing agricultural produce in this state.

14 Sec. 102. Section 175.4, Code 1987, is amended by  
15 adding the following new subsections:

16 NEW SUBSECTION. 19. The decline in the number of  
17 beef cattle production operations is a serious problem  
18 within the state, resulting in the conversion of land  
19 used for pasture to row crop production, which  
20 threatens to destroy a significant part of Iowa's  
21 agricultural base and damage the economic viability of  
22 the state.

23 NEW SUBSECTION. 20. It is necessary to create a  
24 program in this state to assist agricultural producers  
25 who have established or intend to establish beef  
26 cattle production operations, to obtain adequate  
27 financing, and management assistance and training, and  
28 to convert land used for row crop production to  
29 pasture.

30 Sec. 103. Section 175.35, subsection 3, Code 1987,  
31 is amended by adding the following new paragraphs:

32 NEW PARAGRAPH. g. The farmer has a net worth of  
33 not more than two hundred thousand dollars.

34 NEW PARAGRAPH. h. The farmer develops a farm unit  
35 conservation plan, as defined in section 467A.42, with  
36 the commissioners of the soil conservation district  
37 where the land is located within one year from the  
38 date of entering into the program, unless the  
39 authority prescribes a shorter period by rule.

40 Sec. 104. NEW SECTION. 175.36 ASSISTANCE AND  
41 MANAGEMENT PROGRAMS FOR BEEF CATTLE PRODUCERS.

42 1. The authority shall create and develop programs  
43 to assist agricultural producers who have established  
44 or intend to establish in this state, beef cattle  
45 production operations, including but not limited to  
46 the following assistance:

47 a. INSURANCE OR LOAN GUARANTEE PROGRAM. An  
48 insurance or loan guarantee program to provide for the  
49 insuring or guaranteeing of all or part of a loan made  
50 to an agricultural producer for the acquisition of

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1 beef cattle to establish or expand a feeder cattle  
2 operation.

3 b. AN INTEREST BUY-DOWN PROGRAM. The authority  
4 may contract with a participating lending institution  
5 and a qualified agricultural producer to reduce the  
6 interest rate charged on a loan for the acquisition of  
7 beef cattle breeding stock. The authority shall  
8 determine the amount that the rate is reduced, by  
9 considering the lending institution's customary loan  
10 rate for the acquisition of beef cattle breeding stock  
11 as certified to the authority by the lending  
12 institution.

13 As part of the contract, in order to partially  
14 reimburse the lending institution for the reduction of  
15 the interest rate on the loan, the authority may agree  
16 to grant the lending institution any amount foregone  
17 by reducing the interest rate on that portion of the  
18 loan which is one hundred thousand dollars or less.  
19 However, the amount reimbursed shall not be more than  
20 the lesser of the following:

21 (1) Three percent per annum of the principal  
22 balance of the loan outstanding at any time for the  
23 term of the loan or within one year from the loan  
24 initiation date as defined by rules adopted by the  
25 authority, whichever is less.

26 (2) Fifty percent of the amount of interest  
27 foregone by the lending institution on the loan.

28 c. A COST-SHARING PROGRAM. The authority may  
29 contract with an agricultural producer to reimburse  
30 the producer for the cost of converting land planted  
31 to row crops to pasture suitable for beef cattle  
32 production. However, the amount reimbursed shall not  
33 be more than twenty-five dollars per acre converted,  
34 or fifty percent of the conversion costs, whichever is  
35 less. The contract shall apply to not more than one  
36 hundred fifty acres of row crop land converted to  
37 pasture. The converted land shall be utilized in beef  
38 cattle production for a minimum of five years. The  
39 amount to be reimbursed shall be reduced by the amount  
40 that the agricultural producer receives under any  
41 other state or federal program that contributes toward  
42 the cost of converting the same land from row crops to  
43 pasture.

44 d. A MANAGEMENT ASSISTANCE AND TRAINING PROGRAM.  
45 The authority in cooperation with any agency or  
46 instrumentality of the federal government or with any  
47 state agency, including any state university or those  
48 associations organized for the purpose of assisting  
49 agricultural producers involved in beef cattle  
50 production, or with any farm management company if

1 such company specializes in beef cattle production or  
2 in assisting beef cattle producers, as prescribed by  
3 rules adopted by the authority, shall establish  
4 programs to train and assist agricultural producers to  
5 effectively manage beef cattle production operations.

6 2. An agricultural producer shall be eligible to  
7 participate in a program established under this  
8 section only if all the following criteria are  
9 satisfied:

10 a. The agricultural producer is a resident of the  
11 state.

12 b. The agricultural producer has land or other  
13 facilities available to establish a beef cattle  
14 production operation as prescribed by rules of the  
15 authority.

16 c. The agricultural producer is an individual,  
17 partnership, or a family farm corporation, as defined  
18 in section 172C.1, subsection 8.

19 d. The land or other facilities available to  
20 establish a beef cattle production operation are  
21 located within the state.

22 e. The agricultural producer has a net worth of  
23 four hundred thousand dollars or less.

24 f. The agricultural producer develops a farm unit  
25 conservation plan, as defined in section 467A.42, with  
26 the commissioners of the soil conservation district  
27 where the land is located within one year from the  
28 date of entering into the program, unless the  
29 authority prescribes a shorter period of time by rule.

30 3. The authority shall adopt rules to enforce the  
31 provisions of this section or the terms of a contract  
32 to which the authority is a party. The authority may  
33 also enforce the provisions of this section or terms  
34 of the contract by bringing an action in any court of  
35 competent jurisdiction to recover damages. As a  
36 condition of entering into the program, the authority  
37 may require that the agricultural producer consent to  
38 the jurisdiction of the courts of this state to hear  
39 any matter arising from the provisions of this  
40 section.

#### 41 DIVISION II

42 Sec. 201. Section 331.429, subsection 1, paragraph  
43 a, Code 1987, is amended to read as follows:

44 a. Transfers from the general fund not to exceed  
45 in any year the dollar equivalent of a tax of sixteen  
46 and seven-eighths cents per thousand dollars of  
47 assessed value on all taxable property in the county  
48 and an amount equivalent to the moneys derived by the  
49 general fund from ~~livestock-tax-credits-under-section~~  
50 ~~427-177~~ military service tax credits under chapter

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1 426A; and mobile home taxes under section 135D.22  
2 multiplied by the ratio of sixteen and seven-eighths  
3 cents to the general fund tax rate.

4 Sec. 202. Section 427.17, subsections 2 through 5,  
5 Code 1987, are amended to read as follows:

6 2. A tax credit shall be allowed each taxing  
7 school district in the state for each head of  
8 livestock that was assessed as of January 1, 1973.  
9 ~~The tax credit shall commence-and-be-effective-for-the~~  
10 ~~tax-year-1974-and-each-year-thereafter~~ be based upon  
11 the livestock assessed as of January 1, 1973.

12 3. On or before January 15, 1974, the county  
13 auditor of each county shall prepare a statement  
14 listing for each taxing district in the county the  
15 assessed or taxable values of all livestock assessed  
16 for taxation as of January 1, 1973. The statement  
17 shall also show the tax rates of the various taxing  
18 districts and the total amount of taxes which in the  
19 absence of this section would have been levied upon  
20 livestock assessed as of January 1, 1973. The county  
21 auditor shall certify and forward copies of the  
22 statement to the director of revenue and finance not  
23 later than January 15, 1974. ~~The For the taxes~~  
24 payable for fiscal year 1987 and for subsequent fiscal  
25 years, the director of revenue and finance shall  
26 compute the applicable tax credit and the amount due  
27 to each taxing school district, which amount shall be  
28 the dollar amount which would be payable if all  
29 livestock so assessed were taxed, based upon those  
30 assessed as of January 1, 1973.

31 4. The amounts due each taxing school district  
32 shall be paid on warrants payable to the respective  
33 county treasurers by the director of revenue and  
34 finance on July 15 of each year. The county treasurer  
35 shall apportion the proceeds to the various taxing  
36 school districts in the county.

37 5. In the event that the amount appropriated for  
38 reimbursement of the taxing school districts is  
39 insufficient to pay in full the amounts due to each of  
40 the taxing school districts, then the amount of each  
41 payment shall be reduced by the director of revenue  
42 and finance according to the ratio that the total  
43 amount of funds to be paid to each taxing school  
44 district bears to the total amount to be paid to all  
45 taxing school districts in the state.

#### 46 DIVISION III

47 Sec. 301. Section 422.42, subsection 3, Code 1987,  
48 is amended to read as follows:

49 3. "Retail sale" or "sale at retail" means the  
50 sale to a consumer or to any person for any purpose,

1 may not become a component or integral part of the  
2 finished product. The distribution to the public of  
3 free newspapers or shoppers guides is a retail sale  
4 for purposes of the processing exemption.

5 Sec. 302. Section 422.45, Code 1987, is amended by  
6 adding the following new subsection:

7 NEW SUBSECTION. The gross receipts from the sale,  
8 furnishing, or service of gas, electricity, water, or  
9 heat to be used in implements of husbandry engaged in  
10 agricultural production.

11 DIVISION IV

12 Sec. 401. NEW SECTION. 422.47C REFUNDS --  
13 AGRICULTURAL IMPLEMENTS, MACHINERY OR EQUIPMENT.

14 1. Sales, services, and use taxes paid on repairs  
15 to implements or on the purchase or rental of farm  
16 machinery or equipment, including replacement parts  
17 which are depreciable for state and federal income tax  
18 purposes, shall be refunded to the owner, purchaser,  
19 or renter provided all of the following conditions are  
20 met:

21 a. The repairs, purchase, or rental was made on or  
22 after July 1, 1987.

23 b. The tax was paid to the retailer or timely paid  
24 to the department by the user if section 423.14 is  
25 applicable.

26 c. The claim is filed on forms provided by the  
27 department and is filed between July 1 and September 1  
28 for the previous calendar year.

29 d. The implements, machinery or equipment is  
30 directly and primarily used in livestock or dairy  
31 production.

32 e. The implement is not a self-propelled implement  
33 or an implement customarily drawn or attached to a  
34 self-propelled implement, and the machinery or  
35 equipment is not a grain dryer, subject to an  
36 exemption under section 422.45.

37 2. A claim for refund timely filed under  
38 subsection 1 shall be paid by the department within  
39 ninety days after the last date a claim may be filed  
40 under this section. The department of revenue and  
41 finance shall not in any calendar year pay more than  
42 three million eight hundred thousand dollars in claims  
43 for refunds filed pursuant to this section. If the  
44 department determines that the amount of claims is  
45 greater than the amount of moneys available to fully  
46 satisfy all claims, the refunds shall be paid on a  
47 prorated basis. A claimant who makes an erroneous  
48 application for refund shall be liable for payment of  
49 any refund paid plus interest at the rate in effect  
50 under section 421.7. In addition, a claimant who

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1 other than for processing, for resale of tangible  
2 personal property or taxable services, or for resale  
3 of tangible personal property in connection with  
4 taxable services; and includes the sale of gas,  
5 electricity, water, and communication service to  
6 retail consumers or users; but does not include  
7 agricultural breeding livestock and domesticated fowl,  
8 or; and does not include commercial fertilizer,  
9 agricultural limestone, or herbicide, pesticide,  
10 insecticide, food, and medication, and or agricultural  
11 drain tile and, including installation thereof of  
12 agricultural drain tile, any of which are to be used  
13 in disease control, weed control, insect control, or  
14 health promotion of plants or livestock produced as  
15 part of agricultural production for market; and does  
16 not include electricity, steam, or any taxable service  
17 when purchased and used in the processing of tangible  
18 personal property intended to be sold ultimately at  
19 retail. When used by a manufacturer of food products,  
20 electricity, steam, and other taxable services are  
21 sold for processing when used to produce marketable  
22 food products for human consumption, including but not  
23 limited to, treatment of material to change its form,  
24 context, or condition, in order to produce the food  
25 product, maintenance of quality or integrity of the  
26 food product, changing or maintenance of temperature  
27 levels necessary to avoid spoilage or to hold the food  
28 product in marketable condition, maintenance of  
29 environmental conditions necessary for the safe or  
30 efficient use of machinery and material used to  
31 produce the food product, sanitation and quality  
32 control activities, formation of packaging, placement  
33 into shipping containers, and movement of the material  
34 or food product until shipment from the building of  
35 manufacture. Tangible personal property is sold for  
36 processing within the meaning of this subsection only  
37 when it is intended that the property will, by means  
38 of fabrication, compounding, manufacturing, or  
39 germination become an integral part of other tangible  
40 personal property intended to be sold ultimately at  
41 retail; or will be consumed as fuel in creating heat,  
42 power, or steam for processing including grain drying,  
43 or for providing heat or cooling for livestock  
44 buildings, or for generating electric current, or be  
45 consumed in self-propelled implements of husbandry  
46 engaged in agricultural production; or the property  
47 is a chemical, solvent, sorbent, or reagent, which is  
48 directly used and is consumed, dissipated, or  
49 depleted, in processing personal property which is  
50 intended to be sold ultimately at retail, and which



1 willfully makes a false application for refund is  
2 guilty of a simple misdemeanor and is liable for a  
3 penalty equal to fifty percent of the refund claimed.  
4 Refunds, penalties, and interest due under this  
5 section may be enforced and collected in the same  
6 manner as the tax imposed by this division.

7 DIVISION V

8 Sec. 501. NEW SECTION. 427B.7 ACTUAL VALUE ADDED  
9 EXEMPTION FROM TAX -- CATTLE FACILITIES.

10 A city council, or a county board of supervisors as  
11 authorized by section 427B.2, may, by ordinance as  
12 provided in section 427B.1, establish a partial  
13 exemption from property taxation of the actual value  
14 added to owner-operated cattle facilities, including  
15 small or medium sized feedlots but not including  
16 slaughter facilities, either by new construction or by  
17 the retrofitting of existing facilities. The  
18 application for the exemption shall be filed pursuant  
19 to section 427B.4. The actual value added to owner-  
20 operated cattle facilities, as specified in section  
21 427B.1, is eligible to receive a partial exemption  
22 from taxation for a period of five years. The amount  
23 of actual value added which is eligible to be exempt  
24 from taxation is the same as provided in the exemption  
25 schedule in section 427B.3.

26 DIVISION VI

27 Sec. 601. ASSISTANCE PROGRAMS -- FUNDING. The  
28 Iowa agricultural development authority shall develop  
29 and establish assistance programs for agricultural  
30 producers under this Act to be funded from moneys  
31 appropriated to the Iowa agricultural development  
32 authority for that purpose.

33 Sec. 602. EFFECTIVE DATE. Division I of this Act,  
34 being deemed of immediate importance, takes effect  
35 upon enactment."

36 \_\_\_\_\_. Title page, line 1, by striking the words  
37 "the agricultural development authority" and inserting  
38 the following: "agriculture".

39 \_\_\_\_\_. Title page, lines 4 and 5, by striking the  
40 words "making appropriations" and inserting the  
41 following: "maintaining certain tax credits to school  
42 districts, providing for certain tax exemptions,  
43 providing refunds for claims related to dairy or  
44 livestock implements, equipment or machinery,  
45 providing for a property tax exemption for certain  
46 cattle facilities, "."

47 2. By renumbering as necessary.

NSB 160  
*Agriculture*

SENATE/HOUSE FILE \_\_\_\_\_  
BY (PROPOSED GOVERNOR'S BILL)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to the reauthorization of the agricultural loan  
2 assistance program, including establishing assistance programs  
3 for returning cattle producers, making appropriations, and  
4 providing an effective date.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SUB COMMITTEE ASSIGNMENTS

CHAIR: *Skow*

COMMITTEE: *Agriculture*

*3/5/87*

1 Section 1. Section 175.2, Code 1987, is amended by adding  
2 the following new subsections:

3 NEW SUBSECTION. 9A. "Farmer" means an individual,  
4 partnership, or family farm corporation, as defined in section  
5 172C.1, subsection 8, that engages in farming.

6 NEW SUBSECTION. 21. "Returning cattle producer" means a  
7 farmer with facilities available to establish a cattle  
8 production operation as determined by rules adopted by the  
9 authority.

10 Sec. 2. Section 175.4, Code 1987, is amended by adding the  
11 following new subsections:

12 NEW SUBSECTION. 19. The decline in the number of cattle  
13 production operations is a serious problem within the state  
14 and one which threatens to destroy a significant part of  
15 Iowa's agricultural base and damage the economic viability of  
16 the state.

17 NEW SUBSECTION. 20. It is necessary to establish an  
18 agricultural assistance program in this state to support  
19 farmers in obtaining adequate financing for operating  
20 expenses, and management assistance and training, in  
21 reestablishing cattle production operations.

22 Sec. 3. NEW SECTION. 175.13B ASSISTANCE PROGRAMS FOR  
23 RETURNING CATTLE PRODUCERS.

24 1. The authority shall establish a management assistance  
25 and training program and may cooperate with any agency or  
26 instrumentality of the federal government or with a state  
27 agency, including any state university, as necessary to  
28 provide returning cattle producers with information for  
29 effective management of cattle operations.

30 2. The authority shall establish an agricultural loan  
31 assistance program, subject to the provisions of this chapter,  
32 for returning cattle producers. The program may include, but  
33 is not limited to loan guarantees, interest buy-downs, grants,  
34 or secured direct loans, to assist returning cattle producers  
35 within the state. The authority shall exercise the powers

1 granted to it in this chapter in order to fulfill the goal of  
2 providing financial assistance to returning cattle producers.  
3 The authority may participate in and cooperate with programs  
4 of any agency or instrumentality of the federal government or  
5 with programs of any other state agency in the administration  
6 of the returning cattle producer loan program, subject to the  
7 provisions of this chapter.

8 Sec. 4. There is appropriated from the general fund of the  
9 state to the Iowa agricultural development authority for the  
10 fiscal year beginning July 1, 1986 and ending June 30, 1987,  
11 the amount of five million (5,000,000) dollars, or so much  
12 thereof as is necessary, to be used for providing assistance  
13 to Iowa farmers under and through the agricultural loan  
14 assistance programs, and related programs. Not less than one  
15 million (1,000,000) dollars of the appropriation is to be used  
16 to support assistance programs for returning cattle producers  
17 in the state. Grants provided for under agreements subject to  
18 section 175.35 shall be made on or after February 1, 1987, but  
19 before October 1, 1987. Not more than one hundred fifty  
20 thousand (150,000) dollars, or so much thereof as is  
21 necessary, shall be used for general administration, including  
22 salaries, support, and miscellaneous purposes. Grants  
23 provided for under agreements to support assistance programs  
24 for returning cattle producers shall be made on or after  
25 February 1, 1987, but before December 31, 1987. Moneys  
26 appropriated by this section which are committed for  
27 agreements subject to section 175.35, but which are not used  
28 for grants by June 30, 1988, revert to the general fund.  
29 Notwithstanding section 8.33, moneys appropriated by this  
30 section for assistance programs for returning cattle producers  
31 revert to the general fund on December 1, 1988.

32 Sec. 5. This Act, being deemed of immediate importance,  
33 takes effect upon enactment.

34

#### EXPLANATION

35 This bill reauthorizes the agricultural loan assistance

1 program of 1986 and establishes a program to assist farmers in  
2 obtaining managerial expertise and financial capital, under  
3 the direction of the agricultural development authority, to  
4 reestablish cattle production operations; and makes  
5 appropriations for those purposes. The bill takes effect upon  
6 enactment.

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HOUSE FILE 626

AN ACT

RELATING TO AGRICULTURE, BY EXPANDING CERTAIN DEFINITIONS, PROVIDING REQUIREMENTS FOR CERTAIN FARMERS TO PARTICIPATE IN CERTAIN PROGRAMS, PROVIDING PROGRAMS TO ASSIST ELIGIBLE BEEF CATTLE PRODUCERS, MAINTAINING CERTAIN TAX CREDITS TO SCHOOL DISTRICTS, PROVIDING FOR CERTAIN TAX EXEMPTIONS, PROVIDING REFUNDS FOR CLAIMS RELATED TO DAIRY OR LIVESTOCK IMPLEMENTS, EQUIPMENT OR MACHINERY, PROVIDING FOR A PROPERTY TAX EXEMPTION FOR CERTAIN CATTLE FACILITIES, AND PROVIDING AN EFFECTIVE DATE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

Section 1. Section 175.2, subsection 3, Code 1987, is amended to read as follows:

3. "Agricultural producer" means a person engaged or intending to engage in the business of producing and marketing agricultural produce in this state.

Sec. 2. Section 175.4, Code 1987, is amended by adding the following new subsections:

NEW SUBSECTION. 19. The decline in the number of beef cattle production operations is a serious problem within the state, resulting in the conversion of land used for pasture to row crop production, which threatens to destroy a significant part of Iowa's agricultural base and damage the economic viability of the state.

NEW SUBSECTION. 20. It is necessary to create a program in this state to assist agricultural producers who have established or intend to establish beef cattle production operations, to obtain adequate financing, and management assistance and training, and to convert land used for row crop production to pasture.

Sec. 3. Section 175.35, subsection 3, Code 1987, is amended by adding the following new paragraphs:

NEW PARAGRAPH. q. The farmer has a net worth of not more than two hundred thousand dollars.

NEW PARAGRAPH. h. The farmer develops a farm unit conservation plan, as defined in section 467A.42, with the commissioners of the soil conservation district where the land is located within one year from the date of entering into the program, unless the authority prescribes a shorter period by rule.

Sec. 4. NEW SECTION. 175.36 ASSISTANCE AND MANAGEMENT PROGRAMS FOR BEEF CATTLE PRODUCERS.

1. The authority shall create and develop programs to assist agricultural producers who have established or intend to establish in this state, beef cattle production operations, including but not limited to the following assistance:

a. INSURANCE OR LOAN GUARANTEE PROGRAM. An insurance or loan guarantee program to provide for the insuring or guaranteeing of all or part of a loan made to an agricultural producer for the acquisition of beef cattle to establish or expand a feeder cattle operation.

b. AN INTEREST BUY-DOWN PROGRAM. The authority may contract with a participating lending institution and a qualified agricultural producer to reduce the interest rate charged on a loan for the acquisition of beef cattle breeding stock. The authority shall determine the amount that the rate is reduced, by considering the lending institution's customary loan rate for the acquisition of beef cattle breeding stock as certified to the authority by the lending institution.

As part of the contract, in order to partially reimburse the lending institution for the reduction of the interest rate on the loan, the authority may agree to grant the lending institution any amount foregone by reducing the interest rate on that portion of the loan which is one hundred thousand dollars or less. However, the amount reimbursed shall not be more than the lesser of the following:

(1) Three percent per annum of the principal balance of the loan outstanding at any time for the term of the loan or within one year from the loan initiation date as defined by rules adopted by the authority, whichever is less.

(2) Fifty percent of the amount of interest foregone by the lending institution on the loan.

c. A COST-SHARING PROGRAM. The authority may contract with an agricultural producer to reimburse the producer for the cost of converting land planted to row crops to pasture suitable for beef cattle production. However, the amount reimbursed shall not be more than twenty-five dollars per acre converted, or fifty percent of the conversion costs, whichever is less. The contract shall apply to not more than one hundred fifty acres of row crop land converted to pasture. The converted land shall be utilized in beef cattle production for a minimum of five years. The amount to be reimbursed shall be reduced by the amount that the agricultural producer receives under any other state or federal program that contributes toward the cost of converting the same land from row crops to pasture.

d. A MANAGEMENT ASSISTANCE AND TRAINING PROGRAM. The authority in cooperation with any agency or instrumentality of the federal government or with any state agency, including any state university or those associations organized for the purpose of assisting agricultural producers involved in beef cattle production, or with any farm management company if such company specializes in beef cattle production or in assisting beef cattle producers, as prescribed by rules adopted by the authority, shall establish programs to train and assist agricultural producers to effectively manage beef cattle production operations.

2. An agricultural producer shall be eligible to participate in a program established under this section only if all the following criteria are satisfied:

a. The agricultural producer is a resident of the state.

b. The agricultural producer has land or other facilities available to establish a beef cattle production operation as prescribed by rules of the authority.

c. The agricultural producer is an individual, partnership, or a family farm corporation, as defined in section 172C.1, subsection 8.

d. The land or other facilities available to establish a beef cattle production operation are located within the state.

e. The agricultural producer has a net worth of four hundred thousand dollars or less.

f. The agricultural producer develops a farm unit conservation plan, as defined in section 467A.42, with the commissioners of the soil conservation district where the land is located within one year from the date of entering into the program, unless the authority prescribes a shorter period of time by rule.

3. The authority shall adopt rules to enforce the provisions of this section or the terms of a contract to which the authority is a party. The authority may also enforce the provisions of this section or terms of the contract by bringing an action in any court of competent jurisdiction to recover damages. As a condition of entering into the program, the authority may require that the agricultural producer consent to the jurisdiction of the courts of this state to hear any matter arising from the provisions of this section.

#### DIVISION II

Sec. 5. Section 331.429, subsection 1, paragraph a, Code 1987, is amended to read as follows:

a. Transfers from the general fund not to exceed in any year the dollar equivalent of a tax of sixteen and seven-eighths cents per thousand dollars of assessed value on all taxable property in the county and an amount equivalent to the moneys derived by the general fund from ~~livestock-tax-credits under section 427.17~~ military service tax credits under chapter 426A, and mobile home taxes under section 135D.22 multiplied by the ratio of sixteen and seven-eighths cents to the general fund tax rate.

Sec. 6. Section 427.17, subsections 2 through 5, Code 1987, are amended to read as follows:

2. A tax credit shall be allowed each taxing school district in the state for each head of livestock that was assessed as of January 1, 1973. The tax credit shall commence ~~and be effective for the tax year 1974 and each year thereafter~~ be based upon the livestock assessed as of January 1, 1973.

3. On or before January 15, 1974, the county auditor of each county shall prepare a statement listing for each taxing district in the county the assessed or taxable values of all livestock assessed for taxation as of January 1, 1973. The statement shall also show the tax rates of the various taxing districts and the total amount of taxes which in the absence of this section would have been levied upon livestock assessed as of January 1, 1973. The county auditor shall certify and forward copies of the statement to the director of revenue and finance not later than January 15, 1974. ~~The~~ For the taxes payable for fiscal year 1987 and for subsequent fiscal years, the director of revenue and finance shall compute the applicable tax credit and the amount due to each taxing school district, which amount shall be the dollar amount which would be payable if all livestock so assessed were taxed, based upon those assessed as of January 1, 1973.

4. The amounts due each taxing school district shall be paid on warrants payable to the respective county treasurers by the director of revenue and finance on July 15 of each year. The county treasurer shall apportion the proceeds to the various taxing school districts in the county.

5. In the event that the amount appropriated for reimbursement of the taxing school districts is insufficient to pay in full the amounts due to each of the taxing school districts, then the amount of each payment shall be reduced by the director of revenue and finance according to the ratio that the total amount of funds to be paid to each taxing school district bears to the total amount to be paid to all taxing school districts in the state.

DIVISION III:

Sec. 7. Section 422.42, subsection 3, Code 1987, is amended to read as follows:

3. "Retail sale" or "sale at retail" means the sale to a consumer or to any person for any purpose, other than for processing, for resale of tangible personal property or taxable services, or for resale of tangible personal property in connection with taxable services; and includes the sale of gas, electricity, water, and communication service to retail consumers or users; but does not include agricultural breeding livestock and domesticated fowl; ~~or;~~ and does not include commercial fertilizer, agricultural limestone, or herbicide, pesticide, insecticide, food, and medication, and or agricultural drain tile and, including installation thereof of agricultural drain tile, any of which are to be used in disease control, weed control, insect control, or health promotion of plants or livestock produced as part of agricultural production for market; and does not include electricity, steam, or any taxable service when purchased and used in the processing of tangible personal property intended to be sold ultimately at retail. When used by a manufacturer of food products, electricity, steam, and other taxable services are sold for processing when used to produce marketable food products for human consumption, including but not limited to, treatment of material to change its form, context, or condition, in order to produce the food product, maintenance of quality or integrity of the food product, changing or maintenance of temperature levels necessary to avoid spoilage or to hold the food product in marketable condition, maintenance of environmental conditions necessary for the safe or efficient use of machinery and material used to produce the food product, sanitation and quality control activities, formation of packaging, placement into shipping containers, and movement of the material or food product until shipment from the building of manufacture. Tangible personal property is sold for processing within the meaning of this subsection only when it is intended that the property will, by means of fabrication, compounding, manufacturing, or



germination become an integral part of other tangible personal property intended to be sold ultimately at retail; or will be consumed as fuel in creating heat, power, or steam for processing including grain drying, or for providing heat or cooling for livestock buildings, or for generating electric current, or be consumed in self-propelled implements of husbandry engaged in agricultural production; or the property is a chemical, solvent, sorbent, or reagent, which is directly used and is consumed, dissipated, or depleted, in processing personal property which is intended to be sold ultimately at retail, and which may not become a component or integral part of the finished product. The distribution to the public of free newspapers or shoppers guides is a retail sale for purposes of the processing exemption.

Sec. 8. Section 422.45, Code 1987, is amended by adding the following new subsection:

NEW SUBSECTION. The gross receipts from the sale, furnishing, or service of gas, electricity, water, or heat to be used in implements of husbandry engaged in agricultural production.

#### DIVISION IV

Sec. 9. NEW SECTION. 422.47C REFUNDS -- AGRICULTURAL IMPLEMENTS, MACHINERY OR EQUIPMENT.

1. Sales, services, and use taxes paid on repairs to implements or on the purchase or rental of farm machinery or equipment, including replacement parts which are depreciable for state and federal income tax purposes, shall be refunded to the owner, purchaser, or renter provided all of the following conditions are met:

- a. The repairs, purchase, or rental was made on or after July 1, 1987.
- b. The tax was paid to the retailer or timely paid to the department by the user if section 423.14 is applicable.
- c. The claim is filed on forms provided by the department and is filed between July 1 and September 1 for the previous calendar year.

6. The implements, machinery or equipment is directly and primarily used in livestock or dairy production.

e. The implement is not a self-propelled implement or an implement customarily drawn or attached to a self-propelled implement, and the machinery or equipment is not a grain dryer, subject to an exemption under section 422.45.

7. A claim for refund timely filed under subsection 1 shall be paid by the department within ninety days after the last date a claim may be filed under this section. The department of revenue and finance shall not in any calendar year pay more than three million eight hundred thousand dollars in claims for refunds filed pursuant to this section. If the department determines that the amount of claims is greater than the amount of moneys available to fully satisfy all claims, the refunds shall be paid on a prorated basis. A claimant who makes an erroneous application for refund shall be liable for payment of any refund paid plus interest at the rate in effect under section 421.7. In addition, a claimant who willfully makes a false application for refund is guilty of a simple misdemeanor and is liable for a penalty equal to fifty percent of the refund claimed. Refunds, penalties, and interest due under this section may be enforced and collected in the same manner as the tax imposed by this division.

#### DIVISION V

Sec. 10. NEW SECTION. 427B.7 ACTUAL VALUE ADDED EXEMPTION FROM TAX -- CATTLE FACILITIES.

A city council, or a county board of supervisors as authorized by section 427B.2, may, by ordinance as provided in section 427B.1, establish a partial exemption from property taxation of the actual value added to owner-operated cattle facilities, including small or medium sized feedlots but not including slaughter facilities, either by new construction or by the retrofitting of existing facilities. The application for the exemption shall be filed pursuant to section 427B.4. The actual value added to owner-operated cattle facilities, as specified in section 427B.1, is eligible to receive a partial exemption from taxation for a period of five years. The

amount of actual value added which is eligible to be exempt from taxation is the same as provided in the exemption schedule in section 427B.3.

DIVISION VI

Sec. 11. ASSISTANCE PROGRAMS -- FUNDING. The Iowa agricultural development authority shall develop and establish assistance programs for agricultural producers under this Act to be funded from moneys appropriated to the Iowa agricultural development authority for that purpose.

Sec. 12. EFFECTIVE DATE. Division I of this Act, being deemed of immediate importance, takes effect upon enactment.

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DONALD D. AVENSON  
Speaker of the House

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JO ANN ZIMMERMAN  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 626, Seventy-second General Assembly.

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JOSEPH O'HERN  
Chief Clerk of the House

Approved . May 29, 1987

**HF 626**

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TERRY E. BRANSTAD  
Governor