

3/1/95 Do. Pass  
H. 3/30/95 Agriculture

FEB 13 1995

Agriculture

HOUSE FILE 163

BY MEYER

(P. 1069)

Passed House, Date 3-29-95 Passed Senate, Date \_\_\_\_\_

Vote: Ayes 65 Nays 32 Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

A BILL FOR

1 An Act providing for interests by persons in certain entities  
2 owning or leasing agricultural land, and making penalties  
3 applicable.

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

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HF 163

1 Section 1. Section 9H.1, Code 1995, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 2A. "Authorized entity" means an  
4 authorized farm corporation; authorized trust; authorized  
5 limited liability company; or limited partnership, other than  
6 a family farm limited partnership, which owns or leases  
7 agricultural land.

8 Sec. 2. Section 9H.5, subsection 2, Code 1995, is amended  
9 by striking the subsection and inserting in lieu thereof the  
10 following:

11 2. a. A person who holds an interest in an authorized  
12 entity shall not hold an interest in another authorized  
13 entity, if all authorized entities in which the person would  
14 hold an interest own or lease a combined total of more than  
15 one thousand five hundred acres of agricultural land. If a  
16 person holds an interest in more than one authorized entity,  
17 all authorized entities in which the person holds an interest  
18 shall not own or lease a combined total of more than one  
19 thousand five hundred acres of agricultural land.

20 b. As used in this section, an interest in an authorized  
21 entity means holding an interest as any of the following:

- 22 (1) A stockholder of an authorized farm corporation.
- 23 (2) A beneficiary of an authorized trust.
- 24 (3) A limited partner in a limited partnership which owns  
25 or leases agricultural land, other than a family farm limited  
26 partnership.
- 27 (4) A member of an authorized limited liability company.

28 c. This subsection shall not apply to the extent that an  
29 interest in an authorized entity was held on or before July 1,  
30 1988.

31 Sec. 3. Section 9H.5, subsection 3, paragraph a, Code  
32 1995, is amended to read as follows:

33 a. An authorized farm corporation, authorized trust,  
34 authorized limited liability company, or limited partnership  
35 violating this section shall be assessed a civil penalty of

1 not more than twenty-five thousand dollars and shall divest  
2 itself of any land held in violation of this section within  
3 one year after judgment. A civil penalty of not more than one  
4 thousand dollars may be imposed on a person who ~~becomes~~ holds  
5 an interest in an authorized entity by being a stockholder of  
6 an authorized farm corporation, beneficiary of an authorized  
7 trust, member of an authorized limited liability company, or  
8 limited partner in a limited partnership in violation of this  
9 section. The person shall divest the interest held by the  
10 person in the corporation, trust, limited liability company,  
11 or limited partnership to comply with this section. The court  
12 may determine the method of divesting an interest held by a  
13 person found to be in violation of this chapter. A financial  
14 gain realized by a person who disposes of an interest held in  
15 violation of this chapter shall be forfeited to the state's  
16 general fund. All court costs and fees shall be paid by the  
17 person holding the interest in violation of this chapter.

18

## EXPLANATION

19 This bill amends chapter 9H, which in part prohibits a  
20 person from acquiring an interest in more than one authorized  
21 farm corporation, authorized trust, authorized limited  
22 liability company, or limited partnership which owns or leases  
23 agricultural land.

24 This bill provides that a person who holds an interest in  
25 one of these entities, defined in the bill as an "authorized  
26 entity", is prohibited from holding an interest in another  
27 authorized entity, if all authorized entities in which the  
28 person would hold an interest own or lease a combined total of  
29 more than 1,500 acres of agricultural land. The bill also  
30 provides that if a person holds an interest in more than one  
31 authorized entity, all authorized entities in which the person  
32 holds an interest are prohibited from owning or leasing a  
33 combined total of more than 1,500 acres of agricultural land.

34 A person holding multiple interests in authorized entities  
35 in violation of the bill is subject to a civil penalty of up

1 to \$1,000. An authorized entity which holds more land than  
2 permitted under this bill is subject to a civil penalty of up  
3 to \$25,000.

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1 Amend House File 163 as follows:

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

4 "Section 1. NEW SECTION. 9I.1 DEFINITIONS.

5 As used in this chapter, unless the context  
6 otherwise requires:

7 1. "Agricultural land" means land suitable for use  
8 in farming.

9 2. "Authorized trust" means a trust other than a  
10 family trust in which all of the following apply:

11 a. The beneficiaries do not exceed twenty-five in  
12 number.

13 b. The beneficiaries are all natural persons, who  
14 are not acting as a trustee or in a similar capacity  
15 for a trust, or persons acting in a fiduciary  
16 capacity, or nonprofit corporations.

17 c. Its income is not exempt from taxation under  
18 the laws of either the United States or this state,  
19 except that its income may be exempt from taxation  
20 under sections 501(c)(3) and 509(a)(3) of the Internal  
21 Revenue Code.

22 3. "Corporation" shall mean any corporation or  
23 limited liability company organized under the laws of  
24 any state of the United States or any partnership of  
25 which such corporation is a partner.

26 4. "Family farm corporation" means a corporation  
27 engaged in farming or the ownership of agricultural  
28 land in which the majority of the voting stock is held  
29 by members of a family, or a trust created for the  
30 benefit of a member of that family, related to one  
31 another within the fourth degree of kindred according  
32 to the rules of civil law, or their spouses, at least  
33 one of whom is a person residing on or actively  
34 engaged in the day-to-day labor and management of the  
35 farm, and none of whose stockholders are nonresident  
36 aliens and none of whose stockholders are corporations  
37 or partnerships, unless all of the stockholders or  
38 partners of such entities are persons related within  
39 the fourth degree of kindred according to the rules of  
40 civil law to the majority of stockholders in the  
41 family farm corporation.

42 5. "Family trust" means a trust in which both of  
43 the following are applicable:

44 a. A majority interest in the trust is held by and  
45 the majority of the beneficiaries are persons related  
46 to each other as spouse, parent, grandparent, lineal  
47 descendants of grandparents, or their spouses, and  
48 other lineal descendants of the grandparents or their  
49 spouses, or persons acting in a fiduciary capacity for  
50 persons so related.

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1 b. All the beneficiaries are natural persons, who  
2 are not acting as a trustee or in a similar capacity  
3 for a trust, or persons acting in a fiduciary  
4 capacity, or nonprofit corporations.

5 6. "Farming" means the cultivation of land for the  
6 production of agricultural crops, the raising of  
7 poultry, the production of eggs, the production of  
8 milk, the production of fruit or other horticultural  
9 crops, the grazing or the production of livestock.  
10 Farming does not include the production of timber,  
11 forest products, nursery products, or sod. Farming  
12 also does not include a contract under which a  
13 processor or distributor of farm products or supplies  
14 provides spraying, harvesting, or other farm services.

15 7. "Fiduciary capacity" means an undertaking to  
16 act as executor, administrator, personal  
17 representative, guardian, conservator, or receiver.

18 8. "Processor" means a person who alone or in  
19 conjunction with others, directly or indirectly  
20 controls the manufacturing, processing, or preparation  
21 for sale of beef or pork products having a total  
22 annual wholesale value of ten million dollars or more.  
23 Any person with a ten percent or greater interest in  
24 another person, firm, corporation, limited liability  
25 company, or limited partnership involved in the  
26 manufacturing, processing, or preparation for sale of  
27 beef or pork products having a total annual wholesale  
28 value of ten million dollars or more shall also be  
29 considered a processor.

30 9. "Syndicate" means any limited partnership  
31 organized under the laws of any state of the United  
32 States, other than limited partnerships in which the  
33 partners are members of a family, or a trust created  
34 for the benefit of a member of that family, related to  
35 one another within the fourth degree of kindred  
36 according to the rules of civil law, or their spouses,  
37 at least one of whom is a person residing on or  
38 actively engaged in the day-to-day labor and  
39 management of the farm, and none of whom are  
40 nonresident aliens. "Syndicate" does not include  
41 general partnerships.

42 10. "Testamentary trust" means a trust created by  
43 devising or bequeathing property in trust in a will as  
44 such terms are used in the Iowa probate code.  
45 Testamentary trust includes a revocable trust that has  
46 not been revoked prior to the grantor's death.

47 11. "Trust" means a fiduciary relationship with  
48 respect to property, subjecting the person by whom the  
49 property is held to equitable duties to deal with the  
50 property for the benefit of another person, which

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UNRECORDED

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1 corporation or syndicate by process of law in the  
2 collection of debts, or by any procedure for the  
3 enforcement of a lien, encumbrance, or claim thereof,  
4 whether created by mortgage or otherwise. Any lands  
5 so acquired shall be disposed of within a period of  
6 five years and shall not be used for farming prior to  
7 being disposed of, whether under a lease to a family  
8 farm corporation or a nonsyndicate or noncorporate  
9 farm.

10 k. A bona fide encumbrance taken for purposes of  
11 security.

12 1. Custom spraying, fertilizing, or harvesting.

13 m. Livestock futures contracts, livestock  
14 purchased for slaughter, or livestock purchased and  
15 resold within two weeks.

16 3. If a family farm corporation which is qualified  
17 under all the requirements of a family farm  
18 corporation, ceases to meet the defined criteria, the  
19 family farm corporation shall have fifty years, if the  
20 ownership of the majority of the stock of such  
21 corporation continues to be held by persons related to  
22 one another within the fourth degree of kindred  
23 according to the rules of civil law or their spouses,  
24 and their landholders are not increased in number, to  
25 either requalify as a family farm corporation or  
26 dissolve and return to personal ownership.

27 4. The secretary of state shall monitor corporate  
28 and syndicate agricultural land purchases and  
29 corporate and syndicate farming operations, and notify  
30 the attorney general of any possible violations. If  
31 the attorney general has reason to believe that a  
32 corporation or syndicate is violating this section,  
33 the attorney general shall commence an action in  
34 district court to enjoin any pending illegal land  
35 purchase, or livestock operation, or to force  
36 divestiture of land held in violation of this section.  
37 The court shall order any land held in violation of  
38 this section to be divested within two years. If land  
39 so ordered by the court has not been divested within  
40 two years, the court shall declare the land escheated  
41 to the state. If the secretary of state or attorney  
42 general fails to perform a duty as directed in this  
43 section, a citizen of the state shall have standing in  
44 district court to seek enforcement.

45 Sec. 3. NEW SECTION. 91.3 TRUSTS ACQUIRING AN  
46 INTEREST IN REAL ESTATE USED FOR FARMING.

47 1. A trust, other than a family trust, authorized  
48 trust, or testamentary trust, shall not either  
49 directly or indirectly acquire or otherwise obtain or  
50 lease any agricultural land in this state. However,

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1 arises as a result of a manifestation of an intention  
2 to create the trust. "Trust" does not include a  
3 person acting in a fiduciary capacity. A trustee  
4 includes a legal entity holding property as trustee,  
5 agency, escrow agency, attorney in fact, or any  
6 similar capacity.

7 Sec. 2. NEW SECTION. 91.2 CORPORATIONS ACQUIRING  
8 AN INTEREST IN REAL ESTATE USED FOR FARMING.

9 1. A corporation or syndicate shall not acquire or  
10 otherwise obtain an interest, whether legal,  
11 beneficial, or otherwise, in any title to real estate  
12 used for farming in this state and shall not engage in  
13 farming.

14 2. The restrictions in this section shall not  
15 apply to any of the following:

16 a. A family farm corporation.

17 b. A nonprofit corporation.

18 c. Agricultural land which, as of the effective  
19 date of this Act, is being farmed, or which is owned  
20 or leased, or in which there is a legal or beneficial  
21 interest in title directly or indirectly owned,  
22 acquired, or obtained by a corporation or syndicate,  
23 as long as such land or other interest in title is  
24 held in continuous ownership or under continuous lease  
25 by the same corporation or syndicate. For purposes of  
26 this paragraph, land purchased on a contract signed as  
27 of the effective date of this Act, shall be considered  
28 as owned on the effective date of this Act.

29 d. A farm operated for research or experimental  
30 purposes, if any commercial sales from such farm are  
31 only incidental to the research or experimental  
32 objectives of the corporation or syndicate.

33 e. Agricultural land operated by a cooperation for  
34 the purpose of raising poultry.

35 f. Land leased by alfalfa processors for the  
36 production of alfalfa.

37 g. Agricultural land operated for the purpose of  
38 growing seed, nursery plants, or sod.

39 h. Mineral rights on agricultural land.

40 i. Agricultural land acquired or leased by a  
41 corporation or syndicate for immediate or potential  
42 use for nonfarming purposes. A corporation or  
43 syndicate may hold such agricultural land in such  
44 acreage as may be necessary to its nonfarm business  
45 operation, but pending the development of such  
46 agricultural land for nonfarm purposes, not to exceed  
47 a period of five years, such land shall not be used  
48 for farming except under lease to a family farm  
49 corporation or a nonsyndicate or noncorporate farm.

50 j. Agricultural land or livestock acquired by a

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1 this section shall not apply to any of the following:  
 2 a. A bona fide encumbrance taken for purposes of  
 3 security.  
 4 b. Agricultural land acquired by a trust for  
 5 research or experimental purposes, if the commercial  
 6 sales from such agricultural land are incidental to  
 7 the research or experimental objectives of the trust,  
 8 and agricultural land acquired for the purpose of  
 9 testing, developing, or producing seeds, animals, or  
 10 plants for sale or resale to farmers or for purposes  
 11 incidental to such purposes. Commercial sales are  
 12 incidental to the research or experimental objectives  
 13 of the trust when they are less than twenty-five  
 14 percent of the gross sales of the primary product of  
 15 the research.  
 16 c. Agricultural land which is acquired by a trust  
 17 company or bank in a fiduciary capacity or as trustee  
 18 or a family trust, authorized trust, or testamentary  
 19 trust.  
 20 d. Agricultural land held or leased by a trust on  
 21 the effective date of this Act, as long as the trust  
 22 holding or leasing the land on the effective date of  
 23 this Act continues to hold or lease the agricultural  
 24 land.  
 25 e. Agricultural land acquired by a trust for  
 26 immediate use in nonfarming purposes.  
 27 f. Any property held by the state.  
 28 2. Any trust, other than a family trust,  
 29 authorized trust, or testamentary trust, violating  
 30 this section shall upon conviction be punished by a  
 31 fine of not more than fifty thousand dollars and shall  
 32 divest itself of any land acquired in violation of  
 33 this section within one year after conviction. The  
 34 district court may prevent and restrain violations of  
 35 this section through the issuance of an injunction.  
 36 The attorney general or a county attorney shall  
 37 institute suits on behalf of the state to prevent and  
 38 restrain violations of this section.  
 39 3. The county assessor shall forward to the  
 40 secretary of state, by October 1 of each year, the  
 41 name and address of every trust owning agricultural  
 42 land in the county.  
 43 Sec. 4. TRANSFER. The Code editor is directed to  
 44 transfer sections 9H.2, 9H.3, 9H.5B, 9H.9, and 9H.11  
 45 to new chapter 9I, and reorganize the sections in  
 46 order to enhance the readability of the new chapter.  
 47 Sec. 5. CODE EDITOR. The Code editor is directed  
 48 to make any corrections to internal references in the  
 49 substantive Code editor's bill during the 1996  
 50 legislative session.

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1 Sec. 6. REPEAL. Section 9H.1, 9H.4, 9H.5, 9H.5A,  
 2 9H.6, 9H.10, 9H.14, and 9H.15, Code 1995, are  
 3 repealed."  
 4 2. Title page, line 1, by inserting after the  
 5 word "for" the following: "certain entities and for".  
 By WEIGEL of Chickasaw

WITHDRAWN  
 3-29-95  
 (P. 106)

H-3376 FILED MARCH 21, 1995

## HOUSE FILE 163

H-3413

1 Amend House File 163 as follows:

2 1. Page 1, line 11, by inserting after the word  
3 "person" the following: ", other than a natural  
4 person,".

5 2. Page 1, by striking line 13 and inserting the  
6 following: "entity. A natural person who holds an  
7 interest in an authorized entity shall not hold an  
8 interest in another authorized entity, if all  
9 authorized entities in which the natural person  
10 would".

11 3. Page 1, line 16, by inserting before the word  
12 "person" the following: "natural".

13 4. Page 1, line 17, by inserting before the word  
14 "person" the following: "natural".

By WEIGEL of Chickasaw

H-3413 FILED MARCH 22, 1995

WITHDRAWN  
3-29-95  
(P. 1066)

## HOUSE FILE 163

H-3381

1 Amend House File 163 as follows:

2 1. Page 1, lines 4 and 5, by striking the words  
3 "authorized limited liability company;"

4 2. Page 1, by inserting after line 7 the  
5 following:

6 "Sec. \_\_\_\_\_. Section 9H.1, subsection 3A, Code 1995,  
7 is amended by striking the subsection.

8 Sec. \_\_\_\_\_. Section 9H.1, subsection 8A, Code 1995,  
9 is amended by striking the subsection.

10 Sec. \_\_\_\_\_. NEW SECTION. 9H.3A LIMITED LIABILITY  
11 COMPANIES -- PROHIBITIONS.

12 A limited liability company shall not, either  
13 directly or indirectly, hold or acquire or otherwise  
14 obtain, lease, or have a legal or beneficial interest  
15 in any agricultural land in this state. A limited  
16 liability company shall not be a shareholder in a  
17 corporation, a limited partner in a limited  
18 partnership, or beneficiary of a trust which holds or  
19 leases any agricultural land in this state. A limited  
20 liability company violating the provisions of this  
21 section shall be subject to the same penalty as  
22 provided in section 9H.4. The courts of this state  
23 may prevent and restrain violations of this section  
24 through issuance of an injunction. The attorney  
25 general or a county attorney shall institute suits on  
26 behalf of the state to prevent or restrain violations  
27 of this section. This section shall not apply to  
28 agricultural land held or leased by a limited  
29 liability company on the effective date of this Act,  
30 as long as the limited liability company holding such  
31 land on the effective date of this Act continues to  
32 hold or lease such agricultural land in compliance  
33 with this chapter as of the date when the limited  
34 liability company either directly or indirectly first  
35 held or acquired or otherwise obtained, leased, or  
36 received a legal or beneficial interest in the  
37 agricultural land.

38 Sec. \_\_\_\_\_. Section 9H.4, unnumbered paragraph 1,  
39 Code 1995, is amended to read as follows:

40 A corporation, ~~limited liability company~~, or trust,  
41 other than a family farm corporation, authorized farm  
42 corporation, ~~family farm limited liability company~~,  
43 ~~authorized limited liability company~~, family trust,  
44 authorized trust, revocable trust, or testamentary  
45 trust shall not, either directly or indirectly,  
46 acquire or otherwise obtain or lease any agricultural  
47 land in this state. However, the restrictions  
48 provided in this section shall not apply to the  
49 following:

50 Sec. \_\_\_\_\_. Section 9H.4, subsection 2, paragraph c,

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1 Code 1995, is amended to read as follows:

2 c. The agricultural land is used by a corporation  
3 ~~or-limited-liability-company~~, including any trade or  
4 business which is under common control, as provided in  
5 26 U.S.C. § 414 for the primary purpose of testing,  
6 developing, or producing animals for sale or resale to  
7 farmers as breeding stock. However, after July 1,  
8 1989, to qualify under this paragraph, the following  
9 conditions must be satisfied:

10 (1) The corporation ~~or-limited-liability-company~~  
11 must not hold the agricultural land other than as a  
12 lessee. The term of the lease must be for not more  
13 than twelve years. The corporation ~~or-limited~~  
14 ~~liability-company~~ shall not renew a lease. The  
15 corporation or limited liability company shall not  
16 enter into a lease under this paragraph, if the  
17 corporation ~~or-limited-liability-company~~ has ever  
18 entered into another lease under this paragraph "c",  
19 whether or not the lease is in effect. However, this  
20 subparagraph does not apply to a domestic corporation  
21 organized under chapter 504 or 504A.

22 (2) A term or condition of sale, including resale,  
23 of breeding stock must not relate to the direct or  
24 indirect control by the corporation ~~or-limited~~  
25 ~~liability-company~~ of the breeding stock or breeding  
26 stock progeny subsequent to the sale.

27 (3) The number of acres of agricultural land held  
28 by the corporation ~~or-limited-liability-company~~ must  
29 not exceed six hundred forty acres.

30 (4) The corporation ~~or-limited-liability-company~~  
31 must deliver a copy of the lease to the secretary of  
32 state. The secretary of state shall notify the lessee  
33 of receipt of the copy of the lease. However, this  
34 subparagraph does not apply to a domestic corporation  
35 organized under chapter 504 or 504A.

36 Culls and test animals may be sold under this  
37 paragraph "c". For a three-year period beginning on  
38 the date that the corporation ~~or-limited-liability~~  
39 ~~company~~ acquires an interest in the agricultural land,  
40 the gross sales for any year shall not be greater than  
41 five hundred thousand dollars. After the three-year  
42 period ends, the gross sales for any year shall not be  
43 greater than twenty-five percent of the gross sales  
44 for that year of the breeding stock, or five hundred  
45 thousand dollars, whichever is less.

46 Sec. \_\_\_\_ . Section 9H.4, subsections 4, 5, and 8,  
47 Code 1995, are amended to read as follows:

48 4. Agricultural land acquired by a corporation ~~or~~  
49 ~~limited-liability-company~~ for immediate or potential  
50 use in nonfarming purposes.

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1 5. Agricultural land acquired by a corporation or  
2 ~~limited-liability-company~~ by process of law in the  
3 collection of debts, or pursuant to a contract for  
4 deed executed prior to August 15, 1975, or by any  
5 procedure for the enforcement of a lien or claim  
6 thereon, whether created by mortgage or otherwise.

7 8. A corporation or its subsidiary organized under  
8 chapter 490 or ~~a limited-liability-company-organized~~  
9 ~~under-chapter-490A~~ and to which section 312.8 is  
10 applicable.

11 Sec. \_\_\_\_\_. Section 9H.4, subsection 11, unnumbered  
12 paragraph 2, Code 1995, is amended to read as follows:

13 A corporation, ~~limited-liability-company~~, or trust,  
14 other than a family farm corporation, authorized farm  
15 corporation, ~~family-farm-limited-liability-company~~,  
16 ~~authorized-limited-liability-company~~, family trust,  
17 authorized trust, revocable trust, or testamentary  
18 trust, violating this section shall be assessed a  
19 civil penalty of not more than twenty-five thousand  
20 dollars and shall divest itself of any land held in  
21 violation of this section within one year after  
22 judgment. The courts of this state may prevent and  
23 restrain violations of this section through the  
24 issuance of an injunction. The attorney general or a  
25 county attorney shall institute suits on behalf of the  
26 state to prevent and restrain violations of this  
27 section.

28 Sec. \_\_\_\_\_. Section 9H.5, subsection 1, unnumbered  
29 paragraph 1, Code 1995, is amended to read as follows:

30 An authorized farm corporation, ~~authorized-limited~~  
31 ~~liability-company~~, or authorized trust shall not, on  
32 or after July 1, 1987, and a limited partnership other  
33 than a family farm limited partnership shall not, on  
34 or after July 1, 1988, either directly or indirectly,  
35 acquire or otherwise obtain or lease agricultural  
36 land, if the total agricultural land either directly  
37 or indirectly owned or leased by the authorized farm  
38 corporation, ~~authorized-limited-liability-company~~,  
39 limited partnership, or authorized trust would then  
40 exceed one thousand five hundred acres."

41 3. Page 1, by striking line 27.

42 4. By striking page 1, line 31 through page 2,  
43 line 17 and inserting the following:

44 "Sec. \_\_\_\_\_. Section 9H.5, subsection 3, paragraph  
45 a, Code 1995, is amended to read as follows:

46 a. An authorized farm corporation, authorized  
47 trust, ~~authorized-limited-liability-company~~, or  
48 limited partnership violating this section shall be  
49 assessed a civil penalty of not more than twenty-five  
50 thousand dollars and shall divest itself of any land

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1 held in violation of this section within one year  
2 after judgment. A civil penalty of not more than one  
3 thousand dollars may be imposed on a person who  
4 ~~becomes~~ holds an interest in an authorized entity by  
5 being a stockholder of an authorized farm corporation,  
6 beneficiary of an authorized trust, member-of-an  
7 authorized-limited-liability-company, or limited  
8 partner in a limited partnership in violation of this  
9 section. The person shall divest the interest held by  
10 the person in the corporation, trust, ~~limited~~  
11 ~~liability-company,~~ or limited partnership to comply  
12 with this section. The court may determine the method  
13 of divesting an interest held by a person found to be  
14 in violation of this chapter. A financial gain  
15 realized by a person who disposes of an interest held  
16 in violation of this chapter shall be forfeited to the  
17 state's general fund. All court costs and fees shall  
18 be paid by the person holding the interest in  
19 violation of this chapter.

20 Sec. \_\_\_\_ . Section 9H.5A, subsection 2, paragraph  
21 d, Code 1995, is amended to read as follows:

22 d. A person who is a member, manager, or  
23 authorized representative of a limited liability  
24 company, other than a family farm limited liability  
25 company allowed to hold or lease agricultural land  
26 prior to the effective date of this Act, including an  
27 authorized limited liability company, owning or  
28 leasing agricultural land or engaged in farming in  
29 this state.

30 Sec. \_\_\_\_ . Section 161C.6, subsection 2, paragraphs  
31 b and d, Code 1995, are amended to read as follows:

32 b. A person shall not be eligible to participate  
33 in the program, unless the person is an individual  
34 family farmer, an individual actively engaged in  
35 farming as provided in section 9H.1, subsection 1,  
36 paragraphs "a" through "c", or the person is a family  
37 farm corporation, family farm limited partnership, or  
38 a family trust, ~~or-a-family-farm-limited-liability~~  
39 ~~company,~~ all as defined in section 9H.1.

40 d. The division shall maintain records regarding  
41 each award of financial incentives under this section,  
42 including the name of the person; the amount of the  
43 award; the location of the livestock manure management  
44 system established with financial incentive moneys;  
45 and whether the person is a family farm corporation,  
46 family farm limited partnership, or family trust,  
47 ~~family-farm-limited-liability-company.~~

48 Sec. \_\_\_\_ . Section 175.2, subsection 6, Code 1995,  
49 is amended to read as follows:

50 6. "Beginning farmer" means an individual,

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1 partnership, or family farm corporation, or family  
2 farm-limited-liability-company, as defined in section  
3 9H.1, with a low or moderate net worth that engages in  
4 farming or wishes to engage in farming.

5 Sec. \_\_\_\_ . Section 175.2, subsection 12, paragraph  
6 d, Code 1995, is amended by striking the paragraph.

7 Sec. \_\_\_\_ . Section 175.12, subsection 3, paragraphs  
8 a, c, f, and g, Code 1995, are amended to read as  
9 follows:

10 a. The beginning farmer is a resident of the  
11 state. If the beginning farmer is a partnership, all  
12 partners shall be residents of the state. If a  
13 beginning farmer is a family farm corporation, all  
14 shareholders shall be residents of the state. ~~If the~~  
15 ~~beginning farmer is a family farm limited liability~~  
16 ~~company, all members shall be residents of the state.~~

17 c. The beginning farmer has sufficient education,  
18 training, or experience in the type of farming for  
19 which the beginning farmer requests the mortgage or  
20 secured loan. If the beginning farmer is a  
21 partnership, all partners shall have sufficient  
22 education, training, or experience in the type of  
23 farming for which the beginning farmer requests the  
24 mortgage or secured loan. If the beginning farmer is  
25 a family farm corporation, all shareholders who are  
26 not minors shall have sufficient education, training,  
27 or experience in the type of farming for which the  
28 beginning farmer requests the mortgage or secured  
29 loan. ~~If the beginning farmer is a family farm~~  
30 ~~limited liability company, all members who are not~~  
31 ~~minors shall have sufficient education, training, or~~  
32 ~~experience in the type of farming for which the~~  
33 ~~beginning farmer requests the mortgage or secured~~  
34 ~~loan.~~

35 f. The beginning farmer shall materially and  
36 substantially participate in farming. If the  
37 beginning farmer is a partnership, or family farm  
38 corporation, ~~or family farm limited liability company,~~  
39 each partner, or shareholder, or member shall  
40 materially and substantially participate in farming.

41 g. If the beginning farmer is an individual, the  
42 agricultural land and agricultural improvements shall  
43 only be used for farming by the individual, the  
44 individual's spouse, or the individual's minor  
45 children. If the beginning farmer is a partnership,  
46 or family farm corporation, ~~or family farm limited~~  
47 ~~liability company,~~ the agricultural land and  
48 agricultural improvements shall only be used for  
49 farming by any or all of the partners, or  
50 shareholders, or members, including their spouses and

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1 minor children."

2 5. Title page, line 1, by inserting after the  
3 word "for" the following: "certain entities and for".

4 6. By renumbering as necessary.

By WEIGEL of Chickasaw

## HOUSE FILE 163

H-3416

1 Amend House File 163 as follows:

2 1. Page 1, line 2, by striking the word  
3 "subsection" and inserting the following:

4 "subsections".

5 2. Page 1, by inserting after line 7 the  
6 following:

7 NEW SUBSECTION. 10A. "Farmer" means a person who  
8 is one of the following:

9 a. A person who regularly participates in physical  
10 labor or the day-to-day management of a farming  
11 operation and who files a schedule F as part of the  
12 person's annual form 1040 filing with the United  
13 States internal revenue service.

14 b. A person who qualified under paragraph "a" for  
15 twenty or more years in the past."

16 3. Page 1, by inserting after line 30, the  
17 following:

18 "Sec. \_\_\_\_\_. Section 9H.5, Code 1995, is amended by  
19 adding the following new subsection:

20 NEW SUBSECTION. 2A. If a person who is a  
21 stockholder of an authorized farm corporation, a  
22 member of an authorized limited liability company, a  
23 beneficiary of an authorized trust, or a limited  
24 partner of a limited partnership proposes to transfer  
25 an interest in the authorized entity to a person other  
26 than a farmer stockholder, a farmer member, a farmer  
27 beneficiary, or a farmer limited partner, the  
28 transferor must first offer to sell or dispose of the  
29 interest to each of the farmer stockholders, farmer  
30 members, farmer beneficiaries, or farmer limited  
31 partners on the same terms and at the same price as  
32 proposed to the person who is not a farmer  
33 stockholder, farmer member, farmer beneficiary, or  
34 farmer limited partner. Each farmer stockholder,  
35 farmer member, farmer beneficiary, or farmer limited  
36 partner shall have ten business days after being given  
37 notice of the terms and price of the proposed transfer  
38 in which to exercise the right to purchase the  
39 interest by submitting a binding offer to the  
40 transferor on the same terms as the proposed transfer,  
41 with execution of the transfer to occur within thirty  
42 days after the offer unless otherwise agreed by the  
43 parties. If more than one farmer stockholder, farmer  
44 member, farmer beneficiary, or farmer limited partner  
45 exercises the right to purchase the interest, the  
46 transferor shall transfer the interest according to  
47 terms negotiated between the parties. After the  
48 expiration of either the period for offer or the  
49 period for execution without the submission of an  
50 offer or an execution, the transferor may sell or

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1 otherwise dispose of the interest to any other person  
 2 on the terms upon which it was offered to the farmer  
 3 stockholders, farmer members, farmer beneficiaries, or  
 4 farmer limited partners. However, this subsection  
 5 shall not apply to a transfer of an interest between  
 6 persons related to each other as spouse, parent,  
 7 grandparent, lineal ascendants of grandparents or  
 8 their spouses and other lineal descendants of the  
 9 grandparents or their spouses or persons acting in a  
 10 fiduciary capacity for persons so related."

11 4. By renumbering as necessary.

By MUNDIE of Webster

H-3416 FILED MARCH 22, 1995

lost 3-29-95 (p.1062)

HOUSE FILE 163

H-3424

1 Amend House File 163 as follows:

2 1. Page 1, by inserting after line 7 the  
 3 following:

4 "Sec. \_\_\_\_ . Section 9H.1, subsection 3, Code 1995,  
 5 is amended to read as follows:

6 3. "Authorized farm corporation" means a  
 7 corporation other than a family farm corporation  
 8 founded for the purpose of farming and the ownership  
 9 of agricultural land in which all of the following  
 10 applies:

11 a. The stockholders do not exceed twenty-five in  
 12 number; and.

13 b. The stockholders are all natural persons or  
 14 persons acting in a fiduciary capacity for the benefit  
 15 of natural persons or nonprofit corporations.

16 c. The revenue of the corporation from rent,  
 17 royalties, dividends, interest, and annuities does not  
 18 exceed twenty percent of its gross receipts."

19 2. Page 2, by inserting after line 17 the  
 20 following:

21 "Sec. \_\_\_\_ . NEW SECTION. 9H.12 AUTHORIZED FARM  
 22 CORPORATIONS ESTABLISHED PRIOR TO THE EFFECTIVE DATE  
 23 OF THIS ACT.

24 An authorized farm corporation established before  
 25 the effective date of this Act may continue to hold or  
 26 lease agricultural land as provided prior to the  
 27 effective date of this Act for as long as the  
 28 authorized farm corporation continues to hold or lease  
 29 such agricultural land."

30 3. By renumbering as necessary.

By WEIGEL of Chickasaw

H-3424 FILED MARCH 22, 1995

lost 3/29/95

(p.1068)

## HOUSE FILE 163

H-3426

- 1 Amend House File 163 as follows:  
 2 1. Page 1, line 2, by striking the word  
 3 "subsection" and inserting the following:  
 4 "subsections".  
 5 2. Page 1, by inserting after line 7 the  
 6 following:  
 7 "NEW SUBSECTION. 8B. "Family farm entity" means a  
 8 family farm corporation, family farm limited liability  
 9 company, family farm partnership, or family trust.  
 10 NEW SUBSECTION. 10A. "Farmer" means a natural  
 11 person who is one of the following:  
 12 a. A person who regularly participates in physical  
 13 labor or the day-to-day management of a farming  
 14 operation and who files a schedule F as part of the  
 15 person's annual form 1040 filing with the United  
 16 States internal revenue service.  
 17 b. A person who qualified under paragraph "a" for  
 18 twenty or more years in the past."  
 19 3. Page 1, line 11, by inserting after the word  
 20 "person" the following: ", other than a family farm  
 21 entity or a farmer,".  
 22 4. Page 1, by striking line 13 and inserting the  
 23 following: "entity. A farmer or family farm entity  
 24 who holds an interest in an authorized entity shall  
 25 not hold an interest in another authorized entity, if  
 26 all authorized entities in which the farmer or family  
 27 farm entity would".  
 28 5. Page 1, line 16, by striking the word "person"  
 29 and inserting the following: "farmer or family farm  
 30 entity".  
 31 6. Page 1, line 17, by striking the word "person"  
 32 and inserting the following: "farmer or family farm  
 33 entity".

By WEIGEL of Chickasaw

H-3426 FILED MARCH 22, 1995

*lost 3-29-95 (P. 1064)*

## HOUSE FILE 163

H-3535

- 1 Amend House File 163 as follows:  
 2 1. Page 1, line 11, by inserting before the word  
 3 "A" the following: "A person shall not hold an  
 4 interest in more than two authorized entities."  
 5 2. Page 1, line 12, by striking the word  
 6 "another" and inserting the following: "a second".  
 7 3. Page 1, line 13, by striking the word "all"  
 8 and inserting the following: "both".  
 9 4. Page 1, line 16, by striking the words "more  
 10 than one" and inserting the following: "two".  
 11 5. Page 1, lines 16 and 17, by striking the words  
 12 "entity, all" and inserting the following: "entities,  
 13 both".

By WEIGEL of Chickasaw

H-3535 FILED MARCH 28, 1995

*lost 3-29-95 (P. 1067)*

## HOUSE FILE 163

H-3425

1 Amend House File 163 as follows:  
2 1. Page 1, by inserting after line 7 the  
3 following:  
4 "Sec. \_\_\_\_ . Section 9H.1, subsection 3, Code 1995,  
5 is amended to read as follows:  
6 3. "Authorized farm corporation" means a  
7 corporation other than a family farm corporation  
8 founded for the purpose of farming and the ownership  
9 of agricultural land in which all of the following  
10 applies:  
11 a. The stockholders do not exceed twenty-five in  
12 number; ~~and.~~  
13 b. The stockholders are all natural persons or  
14 persons acting in a fiduciary capacity for the benefit  
15 of natural persons or nonprofit corporations.  
16 c. The stockholders holding seventy-five percent  
17 or more of the control and financial investment in the  
18 corporation are farmers residing in Iowa.  
19 Sec. \_\_\_\_ . Section 9H.1, Code 1995, is amended by  
20 adding the following new subsection:  
21 NEW SUBSECTION. 10A. "Farmer" means a person who  
22 regularly participates in physical labor or the day-  
23 to-day management of a farming operation and who files  
24 a schedule F as part of the person's annual form 1040  
25 filing with the United States internal revenue  
26 service."  
27 2. Page 2, by inserting after line 17 the  
28 following:  
29 "Sec. \_\_\_\_ . NEW SECTION. 9H.12 AUTHORIZED FARM  
30 CORPORATIONS ESTABLISHED PRIOR TO THE EFFECTIVE DATE  
31 OF THIS ACT.  
32 An authorized farm corporation established before  
33 the effective date of this Act may continue to hold or  
34 lease agricultural land as provided prior to the  
35 effective date of this Act for as long as the  
36 authorized farm corporation continues to hold or lease  
37 such agricultural land."  
38 3. By renumbering as necessary.

By WEIGEL of Chickasaw

H-3425 FILED MARCH 22, 1995

*Lost 3/29/95**(P.1066)*