

MAR 14 1996
APPROPRIATIONS

HOUSE FILE **2478**
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 500)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act providing a livestock production credit for state income
2 tax purposes, providing a refund for the credit and an
3 appropriation, and providing effective and retroactive
4 applicability dates.

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

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HF 2478

1 DIVISION X

2 LIVESTOCK PRODUCTION TAX CREDIT

3 Section 1. NEW SECTION. 422.120 LIVESTOCK PRODUCTION TAX
4 CREDIT ALLOWED.

5 1. a. There is allowed a state tax credit for livestock
6 production operations located in the state. The amount of the
7 credit equals ten cents for each corn equivalent consumed by
8 the livestock in the production operation as specified under
9 this section. The credit shall be refunded as provided in
10 section 422.122.

11 b. The credit shall be available to an individual or
12 corporate taxpayer who owns livestock and who receives, or
13 accrues in the case of an accrual-basis taxpayer, more than
14 one half of the taxpayer's gross income from farming or
15 ranching operations during the tax year. Gross income from
16 farming or ranching is the amount reported as gross income on
17 schedule F, or the equivalent schedule, of the taxpayer's
18 income tax return, the total gains from sales of breeding
19 livestock, and, if applicable, the taxpayer's distributive
20 share of income from farming or ranching from a partnership,
21 limited liability company, subchapter S corporation, or an
22 estate or trust. To determine whether a taxpayer receives
23 more than one-half of gross income from farming or ranching,
24 the taxpayer's amount of gross income from farming or ranching
25 shall be divided by the taxpayer's total gross income as
26 defined in section 61 of the federal Internal Revenue Code.

27 2. The amount of the credit per operation is determined by
28 adding together for each head of livestock in the operation
29 the product of ten cents times the number of corn equivalents
30 consumed by that head of livestock. The amount of livestock
31 production credit per operation per tax year shall not exceed
32 three thousand dollars and the amount of livestock production
33 credit per taxpayer per tax year shall not exceed three
34 thousand dollars.

35 The maximum amount of corn equivalents for a head of

1 livestock in a production operation is the following:

		Corn equivalents:
2	a. Hog operations:	
3	(1) Farrow to finish	13.0
4	(2) Farrow to feeder pig	2.6
5	(3) Finishing feeder pigs	10.4
6	b. Poultry operations:	
7	(1) Layers	0.88
8	(2) Turkeys	1.5
9	(3) Broilers	0.15
10	c. Beef operations:	
11	(1) Cow-calf	111.5
12	(2) Stocker	41.5
13	(3) Feedlot	75.0
14	(4) Dairy	350.0
15	d. Sheep operations:	
16	(1) Ewe flock	20.5
17	(2) Feedlot	4.1

18 3. If the livestock operation is carried on partly within
19 and partly without the state, the portion of the operation
20 attributable to this state shall be determined pursuant to
21 rules adopted by the department. The department may adjust
22 the allocation upon request of the taxpayer in order to
23 reflect the actual livestock operation carried on within this
24 state.

25 4. An individual may claim the livestock production tax
26 credit allowed a partnership, limited liability company,
27 subchapter S corporation, or estate or trust electing to have
28 the income taxed directly to the individual. The amount
29 claimed by the individual shall be based upon the pro rata
30 share of the individual's earning of the partnership, limited
31 liability company, subchapter S corporation, or estate or
32 trust.

33 5. A fraudulent claim for a credit refund under this
34 division shall cause the forfeiture of any right or interest
35 to a tax credit refund in subsequent tax years under this

1 division.

2 Sec. 2. NEW SECTION. 422.121 APPROPRIATION.

3 There is appropriated annually from the general fund of the
4 state ten million dollars to refund the credits allowed under
5 this division.

6 Sec. 3. NEW SECTION. 422.122 REFUND OF LIVESTOCK
7 PRODUCTION CREDIT CLAIMS.

8 1. For the tax year the total amount of livestock
9 production credit refund claims that shall be paid shall not
10 exceed ten million dollars. If the total dollar amount of the
11 refund claims exceeds that amount, each claim shall be paid an
12 amount equal to ten million dollars divided by the total
13 number of claims, not to exceed the amount of the taxpayer's
14 claim. Remaining funds shall be prorated among those claims
15 not paid in full in the proportion that each such claim bears
16 to the total amount of such claims not paid in full.

17 2. In the case where refund claims are not paid in full,
18 the amount of the refund to which the taxpayer is entitled is
19 the amount computed in subsection 1, and paid to the taxpayer,
20 and the taxpayer is not entitled to any unpaid portion of a
21 claim and is not entitled to carry forward or backward to
22 another tax year any unpaid portion of a claim. A taxpayer
23 shall not use a refund as an estimated payment for the
24 succeeding tax year.

25 3. A taxpayer must file a claim for refund within ten
26 months from the close of the taxpayer's tax year. An
27 extension for filing shall not be allowed. The department
28 shall determine by February 28 of the calendar year following
29 the calendar year in which the claims were filed if the total
30 amount of claims for refund exceeds ten million dollars for
31 the tax year. If the claim is not payable on February 28
32 because the taxpayer is a fiscal year filer, the claim shall
33 be considered as a claim filed for the following tax year.

34 4. A claim for refund shall be made on claim forms to be
35 made available by the department. In order for a taxpayer to

1 have a valid refund claim, the taxpayer must supply legible
2 copies of documents the director deems necessary to verify the
3 amount of the refund.

4 Sec. 4. RETROACTIVE APPLICABILITY. Sections 1 through 3
5 of this Act apply retroactively to January 1, 1996, for tax
6 years beginning on or after that date..

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EXPLANATION

8 This bill provides a refundable livestock production income
9 tax credit not to exceed \$3,000 per livestock operation. The
10 credit is based upon the amount of corn or corn equivalents
11 used by hog operations, beef (including dairy) operations,
12 sheep operations, and poultry operations. The amount of the
13 credit is computed by multiplying 10 cents times the amount of
14 corn or corn equivalents consumed by the livestock in the
15 production operation. In addition, a taxpayer may only
16 receive for a tax year \$3,000 in total credits under the bill.

17 The bill appropriates from the general fund of the state
18 \$10 million to fund livestock production tax credit refunds.

19 The bill applies retroactively to January 1, 1996, for
20 income tax years beginning on or after that date.

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Greig, Chair
Stake
Weigel

HSB 500
WAYS AND MEANS

Succeeded By
SF/HF 2478

SENATE/HOUSE FILE _____
BY (RECOMMENDED BY NONBUSINESS
STATE TAXATION STUDY
COMMITTEE)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act providing a livestock production credit for state income
2 tax purposes, repealing the agricultural land and family farm
3 property tax credits, and providing applicability dates.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. _____ H.F. _____

1 Section 1. NEW SECTION. 422.11 LIVESTOCK PRODUCTION TAX
2 CREDIT.

3 1. a. The taxes imposed under this division, less the
4 credits allowed under this division, shall be reduced by a
5 state tax credit for livestock production operations located
6 in the state. The amount of the credit equals ten cents for
7 each bushel of corn or corn equivalents consumed by the
8 livestock in the production operation as specified under this
9 section.

10 b. Corn equivalents are as follows:

11 (1) Each bushel of corn equals one corn equivalent.

12 (2) Each ton of silage equals nine corn equivalents.

13 (3) Each ton of hay equals thirty corn equivalents.

14 (4) Each acre of pasture equals fifteen corn equivalents.

15 2. The amount of the credit per operation is determined by
16 adding together for each head of livestock in the operation
17 the product of ten cents times the number of corn equivalents
18 consumed by that head of livestock. The amount of credit per
19 operation shall not exceed five thousand dollars.

20 The maximum amount of corn equivalents for a head of
21 livestock in a production operation is the following:

22 a. Hog operations: Corn equivalents:

23 (1) Farrow to finish 13.0

24 (2) Farrow to feeder pig 2.6

25 (3) Finishing feeder pigs 10.4

26 b. Poultry operations:

27 (1) Layers 0.88

28 (2) Turkeys 1.5

29 (3) Broilers 0.15

30 c. Beef operations:

31 (1) Cow-calf 101.5

32 (2) Stocker 41.5

33 (3) Feedlot 75.0

34 (4) Dairy 350.0

35 3. If the livestock operation is carried on partly within

1 and partly without the state, the portion of the operation
2 attributable to this state shall be determined pursuant to
3 rules adopted by the department. The department may adjust
4 the allocation upon request of the taxpayer in order to
5 reflect the actual livestock operation carried on within this
6 state.

7 4. An individual may claim the livestock production tax
8 credit allowed a partnership, subchapter S corporation, or
9 estate or trust electing to have the income taxed directly to
10 the individual. The amount claimed by the individual shall be
11 based upon the pro rata share of the individual's earning of
12 the partnership, subchapter S corporation, or estate or trust.
13 Any credit in excess of the tax liability shall be refunded.

14 5. The amount of the livestock production credit per
15 taxpayer per tax year shall not exceed five thousand dollars.

16 Sec. 2. Section 422.33, Code Supplement 1995, is amended
17 by adding the following new subsection:

18 NEW SUBSECTION. 9. a. The taxes imposed under this
19 division shall be reduced by a state tax credit for livestock
20 production operations located in the state. The amount of the
21 credit equals ten cents for each bushel of corn or corn
22 equivalents consumed by the livestock in the production
23 operation as specified under this section.

24 b. Corn equivalents are as follows:

- 25 (1) Each bushel of corn equals one corn equivalent.
26 (2) Each ton of silage equals nine corn equivalents.
27 (3) Each ton of hay equals thirty corn equivalents.
28 (4) Each acre of pasture equals fifteen corn equivalents.

29 c. The amount of the credit per operation is determined by
30 adding together for each head of livestock in the operation
31 the product of ten cents times the number of corn equivalents
32 consumed by that head of livestock. The amount of credit per
33 operation shall not exceed five thousand dollars.

34 The maximum amount of corn equivalents for a head of
35 livestock in a production operation is the following:

S.F. _____ H.F. _____

		Corn equivalents:
1	(1) Hog operations:	
2	(a) Farrow to finish	13.0
3	(b) Farrow to feeder pig	2.6
4	(c) Finishing feeder pigs	10.4
5	(2) Poultry operations:	
6	(a) Layers	0.88
7	(b) Turkeys	1.5
8	(c) Broilers	0.15
9	(3) Beef operations:	
10	(a) Cow-calf	101.5
11	(b) Stocker	41.5
12	(c) Feedlot	75.0
13	(d) Dairy	350.0

14 d. If the livestock operation is carried on partly within
15 and partly without the state, the portion of the operation
16 attributable to this state shall be determined pursuant to
17 rules adopted by the department. The department may adjust
18 the computation upon request of the taxpayer in order to
19 reflect the actual livestock operation carried on within this
20 state.

21 e. Any credit in excess of the tax liability shall be
22 refunded.

23 f. The amount of the livestock production credit per
24 taxpayer per tax year shall not exceed five thousand dollars.

25 Sec. 3. Chapters 425A and 426, Code 1995, are repealed.

26 Sec. 4. APPLICABILITY. Section 3 of this Act, being
27 deemed of immediate importance, takes effect upon enactment
28 for family farm tax credit claims and agricultural land tax
29 credit claims for property taxes due and payable in fiscal
30 years beginning on or after July 1, 1996.

31 Sec. 5. RETROACTIVE APPLICABILITY. Sections 1 and 2 of
32 this Act apply retroactively to January 1, 1996, for tax years
33 beginning on or after that date.

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EXPLANATION

35 This bill provides a livestock production tax credit not to

1 exceed \$5,000 per livestock operation. The credit is based
2 upon the amount of corn or corn equivalents used by hog
3 operations, beef (including dairy) operations, and poultry
4 operations. The amount of the credit is computed by
5 multiplying 10 cents times the amount of corn or corn
6 equivalents consumed by the livestock in the production
7 operation. In addition, a taxpayer may only receive for a tax
8 year \$5,000 in total credits under the bill.

9 The bill also repeals the agricultural land tax credit and
10 the family farm tax credit applicable to property taxes due
11 and payable in fiscal years beginning on or after July 1,
12 1996.

13 The sections of the bill relating to the livestock
14 production tax credit apply retroactively to January 1, 1996,
15 for income tax years beginning on or after that date.

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