

FEB 20 1997  
Agriculture

HOUSE FILE  
BY MEYER

301

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

A BILL FOR

1 An Act providing for interests by persons owning or leasing  
2 agricultural land, and providing penalties.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 301

1 Section 1. Section 9H.1, Code 1997, 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 1997, 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 1997, is amended to read as follows:

33 a. ~~An If 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~~ entity acquires  
2 land in violation of this section, the authorized entity shall  
3 divest itself of any land held in violation of this section  
4 within one year after a judgment is entered ordering the  
5 authorized entity to comply with this section. A civil  
6 ~~penalty of not more than one thousand dollars may be imposed~~  
7 ~~on~~ If a person who becomes acquires an interest in an  
8 authorized entity by becoming a stockholder of an authorized  
9 farm corporation, beneficiary of an authorized trust, member  
10 of an authorized limited liability company, or limited partner  
11 in a limited partnership in violation of this section. The,  
12 that authorized entity shall divest itself of any land held in  
13 violation of this section within one year after a judgment is  
14 entered ordering the authorized entity to comply with this  
15 section, unless a person shall divest who is a stockholder,  
16 beneficiary, member, or limited partner transfers the interest  
17 held by the person in the corporation, trust, limited  
18 liability company, or limited partnership authorized entity  
19 within one year after a judgment is entered ordering the  
20 authorized entity to comply with this section. The court may  
21 ~~determine the method of divesting an interest held by a person~~  
22 ~~found to be in violation of this chapter. A financial gain~~  
23 ~~realized by a person who disposes of an interest held in~~  
24 ~~violation of this chapter shall be forfeited to the state's~~  
25 ~~general fund. All court costs and fees shall be paid by the~~  
26 ~~person holding the interest in violation of this chapter. The~~  
27 court shall order the dissolution of an authorized entity  
28 which violates the order requiring compliance. The clerk of  
29 court shall immediately send a certified copy of the  
30 dissolution order to the secretary of state.

31 Sec. 4. Section 9H.5A, subsection 4, Code 1997, is amended  
32 to read as follows:

33 4. A reporting entity shall be excused from filing a  
34 report with the secretary of state during any year in which  
35 the reporting entity's corporation, limited partnership,

1 trust, or limited liability company owns, leases, and holds  
2 less than twenty acres of agricultural land in this state and  
3 the gross revenue produced from all farming on the land equals  
4 less than ten thousand dollars. If a reporting entity is  
5 excused from filing a report with the secretary of state as  
6 provided in this subsection in the immediately prior reporting  
7 year, the secretary of state shall not deliver a form to the  
8 reporting entity for the current reporting year.

9 Sec. 5. Section 487.802, Code 1997, is amended by adding  
10 the following new unnumbered paragraph:

11 NEW UNNUMBERED PARAGRAPH. Upon application by the attorney  
12 general, the district court of Polk county shall decree  
13 dissolution of a limited partnership if the limited  
14 partnership is in violation of a court order providing for  
15 compliance with section 9H.5.

16 Sec. 6. Section 490.1430, subsection 1, unnumbered  
17 paragraph 1, Code 1997, is amended to read as follows:

18 A proceeding by the attorney general, if it is established  
19 that either any of the following apply:

20 Sec. 7. Section 490.1430, subsection 1, Code 1997, is  
21 amended by adding the following new paragraph:

22 NEW PARAGRAPH. c. The corporation is in violation of a  
23 court order providing for compliance with section 9H.5.

24 Sec. 8. Section 490A.1302, Code 1997, is amended by adding  
25 the following new unnumbered paragraph:

26 NEW UNNUMBERED PARAGRAPH. Upon application by the attorney  
27 general, the district court of Polk county shall decree  
28 dissolution of a limited liability company if the limited  
29 liability company is in violation of a court order providing  
30 for compliance with section 9H.5.

31 EXPLANATION

32 This bill amends Code chapter 9H, which currently, in part,  
33 prohibits a person from acquiring an interest in more than one  
34 authorized farm corporation, authorized trust, authorized  
35 limited liability company, or limited partnership which owns

1 or leases agricultural land.

2 This bill provides that a person who holds an interest in  
3 one of these entities, defined in the bill as an "authorized  
4 entity", is prohibited from holding an interest in another  
5 authorized entity, if all authorized entities in which the  
6 person would hold an interest own or lease a combined total of  
7 more than 1,500 acres of agricultural land. The bill also  
8 provides that if a person holds an interest in more than one  
9 authorized entity, all authorized entities in which the person  
10 holds an interest are prohibited from owning or leasing a  
11 combined total of more than 1,500 acres of agricultural land.

12 The bill eliminates provisions imposing civil and  
13 divestiture penalties upon authorized entities and individuals  
14 violating prohibitions regarding land ownership.

15 The bill provides that if an authorized entity acquires  
16 land in violation of the bill, it must divest itself of the  
17 land. If a person acquires an interest in an authorized  
18 entity by becoming a stockholder, beneficiary, member, or  
19 limited partner in a limited partnership in violation of the  
20 bill, that authorized entity must divest itself of any land  
21 held in violation of the bill, unless the person transfers the  
22 person's interest. The bill requires that compliance be  
23 accomplished within one year after a judgment ordering the  
24 authorized entity to comply with the bill. The bill provides  
25 that the court shall order the dissolution of an authorized  
26 entity which violates the order requiring compliance.

27 The bill also amends Code section 9H.5A, which excuses  
28 corporations, trusts, limited liability companies, and limited  
29 partnerships from reporting requirements regarding  
30 agricultural land holdings if they hold less than 20 acres and  
31 revenue from farming operations equals less than \$10,000. The  
32 bill provides that if an entity is excused from filing a  
33 report with the secretary of state in the immediately prior  
34 reporting year, the secretary of state shall not deliver a  
35 form to the reporting entity for the current reporting year.

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