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SENATE FILE  
BY REHBERG

2148

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

A BILL FOR

1 An Act allowing persons holding interests in family farm limited  
2 liability companies, family farm limited partnerships, and  
3 family trusts holding agricultural land to file for the  
4 homestead tax credit and the family farm tax credit.

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

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SF 2148  
WAYS & MEANS

1 Section 1. Section 425.11, subsection 2, Code Supplement  
2 1999, is amended to read as follows:

3 2. a. The word "owner" ~~shall-mean-the~~ means any of the  
4 following:

5 (1) A person who holds the fee simple title to the  
6 homestead, and in addition shall-mean the person occupying as  
7 a surviving spouse or the person occupying under a contract of  
8 purchase which contract has been recorded in the office of the  
9 county recorder of the county in which the property is  
10 located, -or-the.

11 (2) A person occupying the homestead under devise or by  
12 operation of the inheritance laws where the whole interest  
13 passes or where the divided interest is shared only by persons  
14 related or formerly related to each other by blood, marriage,  
15 or adoption, -or-the.

16 (3) A person occupying the homestead is-a who holds an  
17 interest in a family farm entity that owns the property. The  
18 person must be one of the following:

19 (a) A shareholder of a the family farm corporation that  
20 owns the property, -or-the.

21 (b) A member of the family farm limited liability company  
22 that owns the property.

23 (c) A general or limited partner of the family farm  
24 limited partnership that owns the property.

25 (d) A beneficiary of the family trust that holds the  
26 property.

27 (4) A person occupying the homestead under a deed which  
28 conveys a divided interest where the divided interest is  
29 shared only by persons related or formerly related to each  
30 other by blood, marriage, or adoption or-where-the.

31 (5) A person occupying the homestead holds a life estate  
32 with the reversion interest held by a nonprofit corporation  
33 organized under chapter 504A, provided-that if the holder of  
34 the life estate is liable for and pays property tax on the  
35 homestead or-where-the.

1     (6) A person occupying the homestead holds an interest in  
2 a horizontal property regime under chapter 499B, regardless of  
3 whether the underlying land committed to the horizontal  
4 property regime is in fee or as a leasehold interest, **provided**  
5 **that if** the holder of the interest in the horizontal property  
6 regime is liable for and pays property tax on the homestead.

7     **b.** For the purpose of this chapter the word "owner" shall  
8 be construed to mean a bona fide owner and not one for the  
9 purpose only of availing the person of the benefits of this  
10 chapter. In order to qualify for the homestead tax credit,  
11 evidence of ownership shall be on file in the office of the  
12 clerk of the district court or recorded in the office of the  
13 county recorder at the time the owner files with the assessor  
14 a verified statement of the homestead claimed by the owner as  
15 provided in section 425.2.

16     **c.** As used in this subsection, "family farm entity" means  
17 the same as defined in section 10.1. "Family farm  
18 corporation", "family farm limited liability company", "family  
19 farm limited partnership", and "family trust" mean the same as  
20 defined in section 9H.1.

21     Sec. 2. Section 425A.2, subsection 4, paragraphs c and e,  
22 Code 1999, are amended to read as follows:

23     c. If the owner is a family farm **corporation entity**, a  
24 family member who is **a any of the following:**

25     (1) A shareholder of the family farm corporation or the  
26 shareholder's spouse.

27     (2) A member of the family farm limited liability company  
28 or the member's spouse.

29     (3) A general or limited partner of the family farm  
30 limited partnership or the member's spouse.

31     (d) A beneficiary of the family trust or the beneficiary's  
32 spouse.

33     e. If the owner is an individual who leases the tract to a  
34 family farm **corporation entity**, **a any of the following:**

35     (1) A shareholder of the family farm corporation if the

1 combined stock of the family farm corporation owned by the  
2 owner of the tract and persons related to the owner as  
3 enumerated in paragraph "a" is equal to at least fifty-one  
4 percent of the stock of the family farm corporation.

5 (2) A member of the family farm limited liability company  
6 if the combined membership interest of the family farm limited  
7 liability company owned by the owner of the tract and persons  
8 related to the owner as enumerated in paragraph "a" is equal  
9 to at least fifty-one percent of the membership interest of  
10 the family farm limited liability company.

11 (3) A general or limited partner of the family farm  
12 limited partnership if the combined partnership interest of  
13 the family farm limited partnership owned by the owner of the  
14 tract and persons related to the owner as enumerated in  
15 paragraph "a" is equal to at least fifty-one percent of the  
16 partnership interest of the family farm limited partnership.

17 (4) A beneficiary of the family trust if the combined  
18 beneficial interest of the family trust held by the owner of  
19 the tract and persons related to the owner as enumerated in  
20 paragraph "a" is equal to at least fifty-one percent of the  
21 beneficial interest of the family trust.

22 Sec. 3. Section 425A.2, subsection 6, paragraph f, Code  
23 1999, is amended to read as follows:

24 f. A family farm ~~corporation-or-authorized-farm~~  
25 ~~corporation,~~ entity as both-are defined in section 9H:1 10.1,  
26 which owns the agricultural land.

27 g. An authorized farm corporation as defined in section  
28 9H.1, which owns the agricultural land.

29 EXPLANATION

30 This bill amends Code chapters 425 providing for homestead  
31 tax credits and 425A providing for family farm tax credits.  
32 The chapters both currently provide that in order to be  
33 eligible to file for the credit, the owner may be a family  
34 farm corporation as defined in Code section 9H.1 if the  
35 individual filing for the credit is a shareholder of the

1 family farm corporation or in some instances has a family  
2 relationship with the individual.

3 A family farm corporation is a corporation that is allowed  
4 to own agricultural land under Code chapter 9H. Under that  
5 chapter, an entity organized on a family basis can also be a  
6 family farm limited liability company, family farm limited  
7 partnership, or family trust. These types of businesses are  
8 referred to as "family farm entities". A family farm  
9 corporation must be founded for the purposes of farming and  
10 the ownership of agricultural land; a majority of the voting  
11 stock must be held by, and a majority of the voting  
12 stockholders must be, relatives; all stockholders must be  
13 individuals; and 60 percent of the corporation's gross  
14 revenues over the last consecutive three-year period must come  
15 from farming. Similar requirements apply to other family farm  
16 entities.

17 The bill provides that to the extent that an individual who  
18 is a shareholder of a family farm corporation owning  
19 agricultural land can qualify to file for a homestead tax  
20 credit under Code chapter 425 or a family farm tax credit  
21 under Code chapter 425A, a member of a family farm limited  
22 liability company, general or limited partner of a family farm  
23 limited partnership, or beneficiary of a family trust can also  
24 qualify to file for the same tax credit.

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