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SENATE FILE

BY REHBERG

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

**A BILL FOR**

1 An Act providing a property tax exemption and rental income  
2 exclusion as incentives for certain landowners to rent  
3 agricultural land to certain small farmers.

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

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SF 193

WAYS & MEANS

1 Section 1. NEW SECTION. 15E.200 SMALL FARMER LAND RENTAL  
2 INCENTIVE PROGRAM.

3 1. There is established a small farmer land rental  
4 incentive program to provide landowners with tax incentives to  
5 rent agricultural land to small farmers at reduced rent. The  
6 tax incentives are those provided in subsection 4. In order  
7 for a landowner to receive the tax incentives, the landowner  
8 and renter shall meet the requirements of subsections 2 and 3.

9 For purposes of this section, "agricultural land" and  
10 "farming" mean the same as defined in section 175.2.

11 2. The landowner shall meet all of the following  
12 requirements:

13 a. Is an individual who is at least fifty-five years old.

14 b. Has owned and actively farmed the land for at least the  
15 last ten years.

16 c. Rents not more than two thousand acres under the  
17 program.

18 d. Is a resident of the state during the time for which  
19 incentives are granted.

20 e. The cash rent or value of the crop share rent shall be  
21 not more than the fair market rental in the county where the  
22 land is located minus ninety percent of the property tax  
23 incentive received by the owner for the rented land.

24 3. The renter shall meet all of the following  
25 requirements:

26 a. Is an individual who is at least eighteen years of age.

27 b. Has sufficient education, training, or experience in  
28 the type of farming for which the land is rented.

29 c. Has access to the equipment and finances needed to farm  
30 the rented land.

31 d. Maintains records of the farming operations on the  
32 rented land which are separate from other farm operations.

33 e. Has not received a reduction in rent under this section  
34 for more than ten years.

35 f. Does not farm more than one thousand acres. In

1 determining if a renter farms more than one thousand acres, a  
2 renter who is a partner, shareholder, or member of a  
3 partnership, S corporation, or limited liability company that  
4 farms is deemed to farm a percentage of the acres farmed based  
5 upon the renter's pro rata share of the earnings of the  
6 partnership, S corporation, or limited liability company.

7 4. The tax incentives provided the qualified landowner  
8 under this section are both of the following:

9 a. Exemption from property taxation of the land rented to  
10 the qualified renter. The exemption applies to each fiscal  
11 year beginning during the term of the rental agreement.

12 b. Exemption from income tax of the amount of the rent  
13 received in each tax year beginning or ending during the term  
14 of the rental agreement.

15 5. To receive the incentives a qualified landowner shall  
16 make application to a three-member county review board  
17 established by the county board of supervisors. The members  
18 of the review board shall each be residents of the county and  
19 from rural communities. Each member shall serve for a three-  
20 year term or until replaced by the board of supervisors,  
21 whichever is the earlier. A county review board shall review  
22 each application received under this subsection to determine  
23 if the landowner and renter both qualify for the program. If  
24 the landowner and renter both qualify, the review board shall  
25 approve the application and issue tax exemption certificates  
26 to the landowner. The certificates shall be submitted to the  
27 county assessor prior to the beginning of each fiscal year for  
28 which the property is exempt and to the department of revenue  
29 and finance at the time of filing the income tax return. The  
30 county review board shall review the applications approved as  
31 often as deemed necessary to assure continuing compliance with  
32 this section.

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#### EXPLANATION

34 This bill provides a property tax exemption for  
35 agricultural land and an income tax exemption for the value

1 received for the rental of agricultural land, if the land is  
2 rented to a small farmer by a landowner who meets certain  
3 qualifications.

4 The landowner must be an individual who is at least 55  
5 years old, has owned and actively farmed the land for at least  
6 the last 10 years, is a resident of the state, rents not more  
7 than 2,000 acres under the program, and the amount of rent  
8 equals the fair rental value minus 90 percent of the property  
9 taxes exempt.

10 The renter must be an individual who is at least 18 years  
11 old, has sufficient education, training, or experience in the  
12 type of farming for which the land is rented, has access to  
13 the equipment and finances needed to farm, maintains separate  
14 records from other farming operations, has not received a  
15 reduction in the land rent under the program for more than 10  
16 years, and does not farm more than 1,000 acres.

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