

FEB 15 2006  
WAYS AND MEANS

HOUSE FILE 2405  
BY SANDS

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

**A BILL FOR**

1 An Act relating to the taxation of gain from the sale of farmland  
2 to the state department of transportation and including a  
3 retroactive applicability date provision.

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

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HF 2405

1 Section 1. Section 422.7, Code Supplement 2005, is amended  
2 by adding the following new subsection:

3 NEW SUBSECTION. 45. Subtract, to the extent included, the  
4 amount of gain realized from the sale of farmland to the state  
5 department of transportation, if such gain is deposited into a  
6 qualified pension plan pursuant to section 401 of the Internal  
7 Revenue Code for the benefit of the taxpayer. If only a  
8 portion of the gain realized is deposited into the qualified  
9 pension plan, then only that portion shall be subtracted under  
10 this subsection. For purposes of this subsection, "farmland"  
11 means land of two acres or more that in good faith is used for  
12 agricultural or horticultural purposes.

13 Sec. 2. RETROACTIVE APPLICABILITY DATE. This Act applies  
14 retroactively to January 1, 2006, for tax years beginning on  
15 or after that date.

16 EXPLANATION

17 This bill provides that if an owner of farmland sells the  
18 land to the department of transportation, any gain realized  
19 will be exempt from state individual income tax if such gain  
20 is deposited into a qualified pension plan for the benefit of  
21 the taxpayer. "Farmland" is land of two acres or more used  
22 for agricultural or horticultural purposes.

23 The bill applies retroactively to January 1, 2006, for tax  
24 years beginning on or after that date.

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