Senate Study Bill 3236 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE ON WAYS AND MEANS BILL BY CHAIRPERSON BOLKCOM)

A BILL FOR

An Act establishing a local farmer and food security income tax credit for individual and corporate income taxpayers, providing for its future repeal, and including effective date and retroactive applicability provisions.

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

Section 1. NEW SECTION. **159B.1 Short title.**

This Act shall be known and may be cited as the *"Local Farmer and Food Security Act"*.

Sec. 2. NEW SECTION. **159B.2 Definitions.**

For purposes of this chapter, unless the context otherwise requires:

1. *"Grocer"* means a business with a physical location in this state that is primarily engaged in the sale of food at retail and that receives a majority of its income from the retail sale of food. *"Grocer"* does not include a business primarily engaged in food service or food preparation services.

2. *"Local food and farm products"* means fruits and vegetables, grain, and meat.

3. *"Producer"* means an individual, partnership, or family farm corporation or family farm limited liability company as defined in section 9H.1, that produces raw fruits, vegetables, grains, or meat and includes a cooperative comprised of only such producers.

Sec. 3. NEW SECTION. **159B.3 Local farmer and food security tax credit.**

1. A local farmer and food security tax credit shall be allowed against the taxes imposed in chapter 422, divisions II and III, for a portion of the value of a taxpayer's contracts for the wholesale purchase of local food and farm products as provided in this section. An individual may claim a tax credit under this section of a partnership, limited liability company, S corporation, estate, or trust electing to have income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings from the partnership, limited liability company, S corporation, estate, or trust.

2. The amount of a tax credit equals twenty percent of the costs paid during the tax year under all eligible contracts.

3. An eligible contract under this section must meet all of the following conditions:

a. The parties to the contract are a grocer and a producer whose raw fruits, vegetables, grains, or meat are produced within one hundred fifty miles of the grocer's retail business.

b. The contract was entered into at least forty-five days prior to initial delivery of the local food and farm products that are the subject of the contract.

c. (1) The contract specifies that the local food and farm products shall be delivered to the grocer in an unprocessed or minimally processed form. For purposes of this paragraph *"c"*, *"minimally processed"* means:

(a) For fruits and vegetables, the produce is, at most, washed and packaged prior to delivery.

(b) For meats, the meats are offered whole or in traditional cuts.

(c) For grains, the grains are, at most, cleaned and in whole or ground form.

(2) The processing described in subparagraph (1), subparagraph divisions (a) through (c), may occur beyond one hundred fifty miles of the grocer's retail business.

4. Any credit in excess of the tax liability for the taxable year shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on its final, completed return credited to the taxpayer's tax liability for the following taxable year.

5. The department of revenue shall, by January 15, 2015, issue a report to the general assembly containing the amount of claims made by grocers under this section per tax year for the tax years beginning in calendar years beginning January 1, 2010, January 1, 2011, January 1, 2012, January 1, 2013, and January 1, 2014, and the portion of the claims issued as refunds, for all claims processed during those years.

Sec. 4. NEW SECTION. **159B.4 Rules.**

The department of revenue may adopt rules pursuant to chapter 17A for the administration and enforcement of the tax credit provided under this chapter.

Sec. 5. NEW SECTION. **159B.5 Future repeal.**

This chapter is repealed December 31, 2015, for tax years beginning after that date. The repeal of this chapter does not affect the ability to carry forward tax credits claimed under this chapter from a tax year beginning prior to January 1, 2016.

Sec. 6. NEW SECTION. **422.11Y Local farmer and food security tax credit.**

The tax imposed under this division, less the credits allowed under section 422.12, shall be reduced by a local farmer and food security tax credit authorized pursuant to section 159B.3.

Sec. 7. Section 422.33, Code Supplement 2009, is amended by adding the following new subsection:

NEW SUBSECTION. 29. The tax imposed under this division shall be reduced by a local farmer and food security tax credit authorized pursuant to section 159B.3.

Sec. 8. EFFECTIVE UPON ENACTMENT AND RETROACTIVE APPLICABILITY. This Act, being deemed of immediate importance, takes effect upon enactment and applies retroactively to January 1, 2010, for tax years beginning on or after that date.

EXPLANATION

This bill creates a local farmer and food security income tax credit for individual and corporate income taxpayers. The credit is available to grocers who contract with local producers for unprocessed or minimally processed fruits and vegetables, grains, and meat. The credit is an amount equal to 20 percent of the costs paid during the tax year under contracts entered into between a grocer and producers located within 150 miles of the grocer. "Grocer" and "producer" are defined in the bill.

The tax credit is refundable but may be credited against tax liability in the following tax year. The tax credit is repealed December 31, 2015.

The bill requires the department of revenue to report to the general assembly by January 15, 2015, on the amount of claims made and refunds issued for tax years beginning during the period of January 1, 2010, and December 31, 2014.

The bill takes effect upon enactment and applies retroactively to January 1, 2010, for tax years beginning on or after that date.