

House File 2426 - Introduced

HOUSE FILE 2426

BY PRICHARD

A BILL FOR

1 An Act relating to small farm operations producing
2 vegetables or fruit, including by establishing programs
3 to support production and marketing, a preference for
4 government entities when purchasing food, a tax credit and
5 appropriation, and a property tax exemption, and including
6 applicability date provisions.

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

DIVISION I

PROGRAMS

Section 1. NEW SECTION. 15E.371 **Purpose.**

The purposes of this division are to encourage and promote the production and purchase of locally and regionally produced vegetables or fruits, to improve nutrition for the citizens of Iowa, and to strengthen local and regional farm economies.

Sec. 2. NEW SECTION. 15E.372 **Definitions.**

As used in this division, unless the context otherwise requires:

1. "*Small farm operation*" means agricultural land as defined in 9H.1 which includes not more than ten acres exclusively used to produce vegetables or fruit for human consumption.

2. "*Small farm operator*" means a person who is the owner or lessee of a small farm operation.

Sec. 3. NEW SECTION. 15E.373 **General authority.**

1. The authority shall administer this division and adopt all rules necessary to carry out the purposes of this division as provided in section 15E.371.

2. The authority shall cooperate with the Iowa finance authority and the department of agriculture and land stewardship in administering this division.

3. The authority may employ or contract with a consultant or specialist to assist in developing and implementing a plan to implement this division.

Sec. 4. NEW SECTION. 15E.374 **Qualifications.**

In order to qualify to participate in a program under this division, a person shall meet all of the requirements established by the authority which shall include at least all of the following:

1. Be a small farm operator. The small farm operator may be an individual, a partner in a partnership under chapter 486A, a shareholder of a family farm corporation as defined in section 9H.1, or a member of a family farm limited liability company as defined in section 9H.1.

1 2. Be actively engaged in the small farm operation by making
2 management decisions and performing physical work relating to
3 the production and marketing of vegetables or fruit produced on
4 the small farm operation. The person must be actively engaged
5 on a regular, continuous, and substantial basis in a manner
6 that is essential to the success of the small farm operation.
7 If the person is a partnership, family farm corporation, or
8 family farm limited liability company, at least one partner,
9 shareholder, or member must be so actively engaged.

10 3. Be a resident of this state. If the person is a
11 partnership, family farm corporation, or family farm limited
12 liability company, each partner, shareholder, or member must be
13 a resident of this state.

14 4. Have sufficient education, training, or experience
15 in farming. If the person is a partnership, family farm
16 corporation, or family farm limited liability company, each
17 partner, shareholder, or member, who is not a minor, must have
18 sufficient education, training, or experience in farming.

19 5. Will materially and substantially participate in the
20 small farming operation. If the person is a partnership,
21 family farm corporation, or family farm limited liability
22 company, each partner, shareholder, or member, who is not
23 a minor, must materially and substantially participate in
24 farming.

25 6. Have access to adequate working capital and production
26 items.

27 7. Meet the low or moderate net worth requirements
28 applicable to a beginning farmer under chapter 175.

29 **Sec. 5. NEW SECTION. 15E.375 Small farm operator financial**
30 **assistance program.**

31 1. A small farm operator financial assistance program is
32 created within the authority. The purpose of the program is to
33 provide financial assistance to small farm operators for the
34 improvement or expansion of an existing and viable small farm
35 operation.

1 2. The authority may provide financial assistance in the
2 form of an interest loan, low-interest loan, no-interest loan,
3 forgivable loan, loan guarantee, grant, letter of credit,
4 equity financing, principal buy-down, interest buy-down, or a
5 combination of these forms.

6 3. The maximum amount of financial assistance for a small
7 farm operator under the program is twenty-five percent of the
8 amount of credit extended to the small farm operator by an
9 eligible lender, as defined by the authority, up to a maximum
10 of fifty thousand dollars.

11 4. The authority shall not approve an application to
12 refinance an existing loan.

13 **Sec. 6. NEW SECTION. 15E.376 Small farm operator marketing**
14 **program.**

15 1. A small farm operator marketing program is created
16 within the authority. The purpose of the program is to promote
17 new markets for vegetables or fruits produced by small farm
18 operators.

19 2. In carrying out the purpose of the program, the authority
20 shall do all of the following:

21 *a.* Investigate the marketing of vegetables or fruits
22 produced by small farm operators and recommend efficient and
23 economical methods of marketing.

24 *b.* Promote the sale, distribution, and merchandising of
25 vegetables or fruits produced by small farm operators.

26 *c.* Furnish information and assistance to the public
27 concerning the marketing of vegetables or fruits produced by
28 small farm operators.

29 *d.* Gather and diffuse useful information concerning all
30 phases of the marketing of vegetables or fruits produced
31 by small farm operators in cooperation with other public
32 or private agencies. The authority shall cooperate with
33 Iowa state university of science and technology to avoid any
34 unnecessary duplication of efforts.

35 *e.* Ascertain sources of supply of vegetables or fruits

1 produced by small farm operators, and prepare and publish
2 from time to time lists of names and addresses of small farm
3 operators and marketers.

4 Sec. 7. NEW SECTION. 15E.377 **Small farm operations fund.**

5 1. A small farm operations fund is created in the state
6 treasury as a revolving fund under the control of the
7 authority. The fund shall consist of any moneys appropriated
8 by the general assembly for deposit in the fund and any other
9 moneys available to and obtained or accepted by the authority
10 from the federal government or private sources for placement
11 in the fund.

12 2. Moneys in the fund are appropriated exclusively to
13 support the programs created in this division including as
14 provided in sections 15E.374 and 15E.375.

15 3. Notwithstanding section 12C.7, interest or earnings
16 on moneys in the fund shall be credited to the fund.
17 Notwithstanding section 8.33, moneys credited to the fund that
18 remain unexpended or unobligated at the end of a fiscal year
19 shall not revert to any other fund.

20 Sec. 8. NEW SECTION. 15E.378 **Certification.**

21 1. Upon application, the authority shall issue an annual
22 certificate to a person eligible to participate in a program
23 under this division verifying that the person is a qualified
24 small farm operator, regardless of whether the person actually
25 participates in a program.

26 2. A person may use a certificate issued to the person under
27 this section as proof of eligibility for a benefit under other
28 programs benefiting small farm operators, including all of the
29 following:

30 a. The selling of vegetables or fruits to the department
31 of administrative services pursuant to section 8A.315, the
32 commission for the blind pursuant to section 216B.3, the board
33 of directors of a merged area pursuant to section 260C.19C,
34 the board of regents pursuant to section 262.9, the state
35 department of transportation pursuant to section 307.21, and

1 the department of corrections pursuant to section 904.312.

2 *b.* The from small farm operation to school tax credit as
3 provided in chapter 190A.

4 *c.* A property tax exemption as provided in section 427.1.

5 Sec. 9. CODIFICATION. The Code editor shall organize the
6 provisions of this division of this Act as a new division in
7 chapter 15E.

8 DIVISION II

9 PURCHASE BY GOVERNMENT ENTITIES

10 Sec. 10. Section 8A.315, Code 2014, is amended by adding the
11 following new subsection:

12 NEW SUBSECTION. 9. When providing for the purchase of
13 food, the department, whenever cost competitive, shall purchase
14 vegetables or fruits produced by persons certified as qualified
15 small farm operators by the economic development authority
16 pursuant to section 15E.378.

17 Sec. 11. Section 216B.3, Code 2014, is amended by adding the
18 following new subsection:

19 NEW SUBSECTION. 13A. When providing for the purchase of
20 food, give a preference to purchasing vegetables or fruits
21 produced by persons certified as qualified small farm operators
22 by the economic development authority pursuant to section
23 15E.378.

24 Sec. 12. Section 260C.19C, Code 2014, is amended to read as
25 follows:

26 **260C.19C Purchase of ~~designated biobased~~ certain products.**

27 The board of directors providing services to a merged area
28 shall give preference to purchasing ~~designated~~ all of the
29 following:

30 1. Vegetables or fruits produced by persons certified as
31 qualified small farm operators by the economic development
32 authority pursuant to section 15E.378.

33 2. Designated biobased products in the same manner as
34 provided in section 8A.317.

35 Sec. 13. Section 262.9, Code 2014, is amended by adding the

1 following new subsection:

2 NEW SUBSECTION. 6A. When providing for the purchase of
3 food, give a preference to purchasing vegetables or fruits
4 produced by persons certified as qualified small farm operators
5 by the economic development authority pursuant to section
6 15E.378.

7 Sec. 14. Section 307.21, Code 2014, is amended by adding the
8 following new subsection:

9 NEW SUBSECTION. 6A. The administrator shall, when
10 providing for the purchase of food, give a preference to
11 purchasing vegetables or fruits produced by persons certified
12 as qualified small farm operators by the economic development
13 authority pursuant to section 15E.378.

14 Sec. 15. Section 904.312, Code 2014, is amended by adding
15 the following new subsection:

16 NEW SUBSECTION. 3. When providing for the purchase of food,
17 the director shall give a preference to purchasing vegetables
18 or fruits produced by persons certified as qualified small farm
19 operators by the economic development authority pursuant to
20 section 15E.378.

21 DIVISION III

22 IOWA STATE UNIVERSITY

23 Sec. 16. NEW SECTION. 266.31 **Small farm operations.**

24 1. The Iowa cooperative extension service in agriculture
25 and home economics shall develop and publish materials and
26 sponsor events on site or via the internet regarding best
27 methods, practices, and strategies for use by small farm
28 operators qualified to participate in programs created in
29 chapter 15E, division XXVIII, in producing and marketing
30 vegetables or fruits.

31 2. The materials and events shall be made available or
32 sponsored at cost.

33 DIVISION IV

34 TAX CREDIT

35 Sec. 17. Section 2.48, subsection 3, paragraph f, Code 2014,

1 is amended to read as follows:

2 *f.* In 2017, ~~the~~ the:

3 (1) The from small farm operation to school tax credit under
4 chapter 190A, subchapter II.

5 (2) The innovation fund investment tax credit available
6 under section 15E.52.

7 Sec. 18. NEW SECTION. 190A.11 Administration — rules.

8 1. This subchapter shall be administered by the department
9 of revenue.

10 2. The department of revenue shall adopt all rules necessary
11 to administer this subchapter.

12 3. The department of agriculture and land stewardship, the
13 department of public health, and the department of education
14 shall cooperate with the department of revenue in developing
15 and administering this subchapter.

16 Sec. 19. NEW SECTION. 190A.12 From small farm operation to
17 school tax credit.

18 A from small farm operation to school tax credit is allowed
19 against the taxes imposed in chapter 422, divisions II and III,
20 as provided in this subchapter.

21 Sec. 20. NEW SECTION. 190A.13 From small farm operation to
22 school tax credit — eligibility.

23 In order to qualify for a from small farm operation to school
24 tax credit, all of the following must apply:

25 1. The taxpayer must be a small farm operator qualified
26 to participate in programs created in chapter 15E, division
27 XXVIII.

28 2. The taxpayer must produce the vegetables or fruits on the
29 taxpayer's small farm operation.

30 3. The taxpayer must transfer title to the vegetables or
31 fruits to a school district or accredited nonpublic school in
32 this state.

33 4. The vegetables or fruits shall not be damaged or
34 out-of-condition or declared to be unfit for human consumption
35 by a federal, state, or local health official. The condition

1 of the vegetables or fruits must be at least the same as
2 allowed for charitable contributions of food under section
3 170(e)(3)(C) of the Internal Revenue Code. However, the
4 department may require that the vegetables or fruits comply
5 with higher quality standards.

6 5. The vegetables or fruits must be used by the school
7 district or school to supplement the diet of its students.

8 Sec. 21. NEW SECTION. 190A.14 From small farm operation
9 to school tax credit — claims.

10 1. A certificate issued by the economic development
11 authority under section 15E.378 must be attached to the
12 taxpayer's tax return for the tax year for which the tax
13 credit under this subchapter is claimed. The department of
14 revenue must review and approve an application for a tax credit
15 certificate as provided by rules adopted by the department of
16 revenue.

17 2. The department of revenue may require that the taxpayer
18 attach proof of the sale of vegetables or fruits to the
19 department supporting the tax credit claim in a form and manner
20 prescribed by the department.

21 3. An individual may claim a from small farm operation to
22 school tax credit of a general partnership, limited liability
23 company, S corporation, or estate electing to have income
24 taxed directly to the individual. The amount claimed by the
25 individual shall be based upon the pro rata share of the
26 individual's earnings from the partnership, limited liability
27 company, S corporation, or estate.

28 Sec. 22. NEW SECTION. 190A.15 From small farm operation to
29 school tax credit — limits on claims.

30 A from small farm operation to school tax credit is subject
31 to all of the following limitations:

32 1. The tax credit shall not exceed a qualifying amount for
33 the tax year that the tax credit is claimed. The qualifying
34 amount is the lesser of the following:

35 a. Fifty percent of the total purchase price paid by all

1 school districts or schools to which the vegetables or fruits
2 were sold.

3 *b.* Ten thousand dollars.

4 2. A tax credit in excess of the taxpayer's liability for
5 the tax year is not refundable but may be credited to the tax
6 liability for the following five years or until depleted,
7 whichever is earlier.

8 3. If a tax credit is allowed, the amount of the sale for
9 which the tax credit is claimed shall not be deductible in
10 determining taxable income for state tax purposes.

11 4. A tax credit shall not be carried back to a tax year
12 prior to the tax year in which the taxpayer claims the tax
13 credit.

14 Sec. 23. NEW SECTION. 190A.16 Tax credit certificates —
15 availability.

16 1. The amount of tax credits that may be issued to support
17 the from small farm operation to school tax credit shall not
18 exceed five million dollars in the aggregate in any year.

19 2. The department of revenue shall issue tax credit
20 certificates to support the from small farm operation to school
21 tax credit on a first-come, first-served basis.

22 Sec. 24. NEW SECTION. 422.11K From small farm operation to
23 school tax credit.

24 The taxes imposed under this division, less the credits
25 allowed under section 422.12, shall be reduced by a from
26 small farm operation to school tax credit under chapter 190A,
27 subchapter 2.

28 Sec. 25. Section 422.33, Code 2014, is amended by adding the
29 following new subsection:

30 NEW SUBSECTION. 22. The taxes imposed under this division
31 shall be reduced by a from small farm operation to school tax
32 credit under chapter 190A, subchapter 2.

33 Sec. 26. CODIFICATION. The Code editor shall organize
34 the provisions of this division of this Act enacting sections
35 190A.11 through 190A.16 as a new subchapter in chapter 190A.

1 Sec. 27. APPLICABILITY. This division of this Act applies
2 to tax years beginning on or after January 1, 2015.

3 DIVISION V

4 PROPERTY TAX EXEMPTION

5 Sec. 28. Section 427.1, Code 2014, is amended by adding the
6 following new subsection:

7 NEW SUBSECTION. 25. *Small farm operation.* Land which
8 is a small farm operation owned or leased by a small farm
9 operator certified by the economic development authority
10 pursuant to section 15E.378 as qualified to participate in
11 programs under chapter 15E, division XXVIII. The economic
12 development authority shall send a copy of the certificate
13 to the appropriate assessor not later than February 1 of the
14 assessment year for which the exemption is requested. The
15 economic development authority may subsequently withdraw the
16 certificate if the small farm operator no longer qualifies to
17 participate in programs under chapter 15E, division XXVIII. In
18 that case, the economic development authority shall provide the
19 assessor with written notice of the decertification.

20 EXPLANATION

21 The inclusion of this explanation does not constitute agreement with
22 the explanation's substance by the members of the general assembly.

23 GENERAL. This bill provides assistance to a person
24 classified as a small farm operator who owns or leases not more
25 than 10 acres of agricultural land used to produce vegetables
26 or fruits. In order to receive assistance, the small farm
27 operator must comply with certain requirements. The person
28 must be in business as an individual or an equity holder in
29 an entity, including as a partner of a general partnership,
30 a shareholder of a family farm corporation, or a member
31 of a family farm limited liability company (Code chapter
32 9H). The individual or all equity holders in an entity must
33 be Iowa residents, must demonstrate sufficient education,
34 training, or experience in farming, and will materially and
35 substantially participate in the small farm operation. The

1 small farm operation must have access to adequate working
2 capital and production items, and meet low or moderate net
3 worth requirements applicable to a beginning farmer under the
4 beginning farmer loan program (Code sections 175.2(1)(p) and
5 175.12).

6 ASSISTANCE PROGRAMS. The bill creates two small farm
7 operation assistance programs administered by the economic
8 development authority (authority). The first is a small farm
9 operator financial assistance program to provide financial
10 assistance to small farm operators for the improvement or
11 expansion of an existing farm operation. The assistance may be
12 in the form of an interest loan, low-interest loan, no-interest
13 loan, forgivable loan, loan guarantee, grant, letter of credit,
14 equity financing, principal buy-down, or interest buy-down.
15 The second is a small farm operator marketing program to
16 promote new markets for vegetables or fruits produced by small
17 farm operators. The bill also creates a small farm operations
18 fund to support the programs. Finally, the bill requires the
19 authority to certify that a small farm operator is eligible to
20 participate in other programs created in the bill.

21 PREFERENCE REQUIRED BY STATE ENTITIES PURCHASING FOOD.
22 The bill requires that certain governmental entities provide
23 a preference to a certified small farm operator when the
24 government entity purchases food. The entities include the
25 department of administrative services, commission for the
26 blind, merged area schools, board of regents institutions,
27 the state department of transportation, and the department of
28 corrections.

29 IOWA STATE UNIVERSITY. The bill requires that the Iowa
30 cooperative extension service in agriculture and home economics
31 at Iowa state university develop and publish materials and
32 sponsor events to assist small farm operators in increasing
33 profitability.

34 INCOME TAX CREDIT. The bill requires the department of
35 revenue to establish a tax credit for certified small farm

1 operators selling vegetables or fruits to schools. The amount
2 of the tax credit cannot exceed 50 percent of the purchase
3 price paid by the school or \$10,000, whichever is less. The
4 bill provides for a five-year carryover period. There is no
5 carryback provision and the tax credit is nontransferable. The
6 bill imposes a maximum limit of \$5 million that can be used to
7 support the tax credit during any year.

8 PROPERTY TAX EXEMPTION. The bill provides that land which
9 is a small farm operation owned or leased by a certified small
10 farm operator is exempt from property taxes. The authority
11 must send a copy of the certificate to the appropriate county
12 assessor. The authority may decertify the small farm operator
13 and send that notice to the county assessor as well.