

House File 252 - Introduced

HOUSE FILE 252

BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO HSB 69)

A BILL FOR

1 An Act relating to beginning farmers by modifying the
2 agricultural assets transfer tax credit, providing a
3 custom farming contract tax credit, and terminating
4 the agricultural loan assistance program, and including
5 effective date and retroactive applicability provisions.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 2.48, subsection 3, paragraph e,
2 subparagraph (1), Code 2013, is amended to read as follows:

3 (1) The agricultural assets transfer tax credit under
4 section 175.37 and the custom farming contract tax credit as
5 provided in section 175.38.

6 Sec. 2. Section 175.2, subsection 1, Code 2013, is amended
7 by adding the following new paragraphs:

8 NEW PARAGRAPH. *0h.* "*Beginning farmer tax credit program*"
9 means all of the following:

10 (1) The agricultural assets transfer tax credit as provided
11 in section 175.37.

12 (2) The custom farming contract tax credit as provided in
13 section 175.38.

14 NEW PARAGRAPH. *0t.* "*Production item*" includes tools,
15 machinery, or equipment that is principally used to produce
16 crops or livestock.

17 NEW PARAGRAPH. *00t.* "*Qualified beginning farmer*" means a
18 beginning farmer who meets the requirements to participate in
19 a beginning farmer tax credit program as provided in section
20 175.36A.

21 NEW PARAGRAPH. *v.* "*Veteran*" means the same as defined in
22 section 35.1.

23 Sec. 3. Section 175.4, subsection 18, Code 2013, is amended
24 by striking the subsection.

25 Sec. 4. Section 175.8, subsection 2, Code 2013, is amended
26 to read as follows:

27 2. a. The annual report shall ~~identify performance~~ include
28 all of the following:

29 (1) Performance goals of the authority, ~~and.~~ The report
30 shall clearly indicate the extent of progress during the
31 reporting period, in attaining the goals.

32 (2) An evaluation of the success of its programs, with
33 a special emphasis on the beginning farmer loan program as
34 provided in section 175.12, and the beginning farmer tax credit
35 program.

1 b. Where possible, the findings and results of its
2 performance goals and evaluation shall be expressed in terms of
3 number of loans, tax credits, participating qualified beginning
4 farmers, and acres of agricultural land, including by county.

5 Sec. 5. NEW SECTION. 175.36A Criteria for beginning farmers
6 participating in the beginning farmer tax credit program.

7 A beginning farmer qualifies to participate in the beginning
8 farmer tax credit program, by meeting all of the following
9 criteria:

10 1. Is a resident of the state. If the beginning farmer is a
11 partnership, all partners must be residents of the state. If a
12 beginning farmer is a family farm corporation, all shareholders
13 must be residents of the state. If the beginning farmer is
14 a family farm limited liability company, all members must be
15 residents of the state.

16 2. Has sufficient education, training, or experience in
17 farming. If the beginning farmer is a partnership, each
18 partner who is not a minor must have sufficient education,
19 training, or experience in farming. If the beginning farmer
20 is a family farm corporation, each shareholder who is not a
21 minor must have sufficient education, training, or experience
22 farming. If the beginning farmer is a family farm limited
23 liability company, each member who is not a minor must have
24 sufficient education, training, or experience in farming.

25 3. Has access to adequate working capital and production
26 items.

27 4. Will materially and substantially participate in
28 farming. If the beginning farmer is a partnership, family
29 farm corporation, or family farm limited liability company,
30 each partner, shareholder, or member who is not a minor must
31 materially and substantially participate in farming.

32 5. Is not responsible for managing or maintaining
33 agricultural land and other agricultural assets that are
34 greater than necessary to adequately support a beginning farmer
35 as determined by the authority according to rules which shall

1 be adopted by the authority.

2 Sec. 6. NEW SECTION. 175.36B Administration of beginning
3 farmer tax credit program.

4 1. To every extent practicable, the authority shall
5 administer tax credits under the beginning farmer tax credit
6 program in a uniform manner that encourages participation by
7 qualified beginning farmers. The authority shall determine a
8 qualified beginning farmer's low or moderate net worth by using
9 a single method applicable to all its programs, including the
10 beginning farmer tax credit program.

11 2. The authority shall establish a due date to receive
12 applications to participate in the beginning farmer tax credit
13 program. The authority may establish different due dates for
14 applications to qualify for each beginning farmer tax credit.

15 3. The department of revenue shall cooperate with the
16 authority in administering the beginning farmer tax credit
17 program.

18 Sec. 7. Section 175.37, subsection 1, Code 2013, is amended
19 to read as follows:

20 1. An agricultural assets transfer tax credit is allowed
21 under this section. The tax credit is allowed against the
22 taxes imposed in chapter 422, division II, as provided in
23 section 422.11M, and in chapter 422, division III, as provided
24 in section 422.33, to facilitate the transfer of agricultural
25 assets from a taxpayer to a qualified beginning farmer.

26 Sec. 8. Section 175.37, subsection 2, paragraph b, Code
27 2013, is amended to read as follows:

28 *b.* Execute an agricultural assets transfer agreement with a
29 qualified beginning farmer as provided in this section.

30 Sec. 9. Section 175.37, subsection 4, Code 2013, is amended
31 to read as follows:

32 4. The tax credit is allowed only for agricultural assets
33 that are subject to an agricultural assets transfer agreement.
34 The agreement shall provide for the lease of agricultural land
35 located in this state, including any improvements and may

1 provide for the rental of agricultural equipment as defined in
2 section 322F.1.

3 a. The agreement ~~may be~~ shall include a lease made on a cash
4 basis or on a commodity share basis which includes a share of
5 the crops or livestock produced on the agricultural land. The
6 agreement must be in writing.

7 b. The agreement shall be for at least two years, but
8 not more than five years. The agreement or that part of
9 the agreement providing for the lease may be renewed by the
10 qualified beginning farmer for a term of at least two years,
11 but not more than five years. An agreement does not include a
12 lease or the rental of equipment intended as a security.

13 c. The agricultural transfer agreement cannot be assigned
14 and the land subject to the agreement cannot be subleased.

15 Sec. 10. Section 175.37, subsection 5, Code 2013, is amended
16 to read as follows:

17 5. The tax credit shall be ~~calculated~~ based on ~~the gross~~
18 ~~amount paid to the taxpayer under~~ the agricultural assets
19 transfer agreement. The agreement shall be based on a cash
20 basis or a commodity share basis or both.

21 a. ~~Except as provided in paragraph "b",~~ For an agreement
22 that includes a lease on a cash basis, the tax credit shall
23 equal five be computed as follows:

24 (1) If the qualified beginning farmer is not a veteran, the
25 taxpayer may claim a tax credit equal to seven percent of the
26 gross amount paid to the taxpayer under the agreement for each
27 tax year that the tax credit is allowed.

28 (2) If the qualified beginning farmer is a veteran, the
29 taxpayer may claim eight percent of the gross amount paid to
30 the taxpayer under the agreement for the first year that the
31 tax credit is allowed and seven percent of the gross amount
32 paid to the taxpayer for each subsequent tax year that the
33 tax credit is allowed. However, the taxpayer may only claim
34 seven percent of the gross amount paid to the taxpayer under
35 a renewed agreement or a new agreement executed by the same

1 parties.

2 b. The For an agreement that includes a lease on a commodity
3 share basis, the tax credit shall equal fifteen be computed as
4 follows:

5 (1) (a) If the qualified beginning farmer is not a veteran,
6 seventeen percent of the amount paid to the taxpayer from crops
7 or animals sold under an the agreement in which the payment is
8 exclusively made from the sale of crops or animals.

9 (b) If the qualified beginning farmer is a veteran, the
10 taxpayer may claim a tax credit equal to eighteen percent of
11 the amount paid to the taxpayer from crops or animals sold
12 under the agreement for the first tax year that the taxpayer
13 is allowed the tax credit and seventeen percent of the amount
14 paid to the taxpayer for each subsequent tax year that the
15 taxpayer is allowed the tax credit. However, the taxpayer may
16 only claim seventeen percent of the amount paid to the taxpayer
17 from crops or animals sold for any tax year under a renewed
18 agreement or a new agreement executed by the same parties.

19 (2) Notwithstanding subparagraph (1), the authority may
20 elect an alternative method to compute a tax credit for a lease
21 based on a crop share basis. The alternative method shall
22 utilize a formula which uses data compiled by the United States
23 department of agriculture. The formula shall calculate the
24 amount of the tax credit by multiplying the average per bushel
25 yield for the same type of grain as produced under the lease
26 in the same county where the leased land is located by a per
27 bushel state price established for such type of grain harvested
28 the previous fall.

29 Sec. 11. Section 175.37, subsection 6, Code 2013, is amended
30 by striking the subsection.

31 Sec. 12. Section 175.37, subsection 8, unnumbered paragraph
32 1, Code 2013, is amended to read as follows:

33 A taxpayer shall not claim a tax credit under this section
34 unless a tax credit certificate issued by the authority is
35 attached to the taxpayer's tax return for the tax year for

1 which the tax credit is claimed. The authority must review
2 and approve an application for a tax credit as provided by
3 rules adopted by the authority. The application must include
4 a copy of the agricultural assets transfer agreement. The
5 authority may approve an application and issue a tax credit
6 certificate to a taxpayer who has previously been allowed a
7 tax credit under this section. The authority may require
8 that the parties to an agricultural assets transfer agreement
9 provide additional information as determined relevant by the
10 authority. The authority shall review an application for
11 a tax credit which includes the renewal of an agricultural
12 assets transfer agreement to determine that the parties to the
13 renewed agreement meet the same qualifications as required for
14 an original application. However, The authority shall not
15 approve an application or issue a tax credit certificate to a
16 taxpayer for an amount in excess of fifty thousand dollars.
17 In addition, the authority shall not approve an application
18 or issue a certificate to a taxpayer if any of the following
19 applies:

20 Sec. 13. Section 175.37, subsection 8, paragraph c, Code
21 2013, is amended by striking the paragraph.

22 Sec. 14. Section 175.37, subsection 9, unnumbered paragraph
23 1, Code 2013, is amended to read as follows:

24 A taxpayer or the qualified beginning farmer may terminate
25 an agricultural assets transfer agreement as provided in the
26 agreement or by law. The taxpayer must immediately notify the
27 authority of the termination.

28 Sec. 15. Section 175.37, subsection 9, paragraph b, Code
29 2013, is amended to read as follows:

30 **b.** If the authority determines that the taxpayer is at fault
31 for the termination, any prior tax credit allowed under this
32 section is disallowed. ~~The tax credit shall be recaptured~~
33 ~~and the~~ amount of the tax credit shall be immediately due and
34 payable to the department of revenue. If a taxpayer does
35 not immediately notify the authority of the termination,

1 the taxpayer shall be conclusively deemed at fault for the
2 termination.

3 Sec. 16. Section 175.37, subsection 10, Code 2013, is
4 amended by striking the subsection.

5 Sec. 17. NEW SECTION. 175.38 Custom farming contract tax
6 credit.

7 1. A custom farming contract tax credit is allowed under
8 this section. The tax credit is allowed against the taxes
9 imposed in chapter 422, division II, as provided in section
10 422.11M, and in chapter 422, division III, as provided in
11 section 422.33, to encourage taxpayers who are considering
12 custom farming agricultural land located in this state to
13 negotiate with qualified beginning farmers.

14 2. In order to be eligible to claim a custom farming
15 contract tax credit, the taxpayer must meet qualifications
16 established by rules adopted by the authority. At a minimum,
17 the taxpayer must be a person who may acquire or otherwise
18 obtain or lease agricultural land in the same manner as
19 provided for a taxpayer claiming an agricultural assets
20 transfer tax credit under section 175.37.

21 3. An individual may claim a custom farming contract
22 tax credit of a partnership, limited liability company,
23 S corporation, estate, or trust 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, estate, or trust.

28 4. A custom farming contract tax credit is allowed only for
29 the amount paid by the taxpayer to a qualified beginning farmer
30 under a custom farming contract as provided in rules adopted by
31 the department. The contract must provide for the production
32 of crops located on agricultural land or the production of
33 livestock principally located on agricultural land. The
34 agricultural land must be real estate and any improvements used
35 for farming in which the taxpayer holds a legal or equitable

1 interest.

2 5. The custom farming contract must provide that the
3 taxpayer pay the qualified beginning farmer on a cash basis.
4 The contract must be in writing for a term of not more than
5 twelve months. The total cash payment must equal at least one
6 thousand dollars.

7 6. The taxpayer must make all management decisions
8 substantially contributing to or affecting the production
9 of crops located on the agricultural land or the production
10 of livestock principally located on the agricultural land.
11 However, nothing in this paragraph prohibits a qualified
12 beginning farmer from regularly or frequently taking part in
13 making day-to-day operational decisions affecting production.
14 The qualified beginning farmer must provide for all of the
15 following:

16 a. Production items principally used to produce crops
17 located on the agricultural land or to produce livestock
18 principally located on the agricultural land.

19 b. Labor principally used to produce crops located on the
20 agricultural land or to produce livestock principally located
21 on the agricultural land. The qualified beginning farmer must
22 personally provide such labor on a regular, continuous, and
23 substantial basis.

24 7. A custom farming contract tax credit is not allowed if
25 the taxpayer and qualified beginning farmer are related as any
26 of the following:

27 a. Persons who hold a legal or equitable interest in the
28 same agricultural land, including as individuals or as general
29 partners, limited partners, shareholders, or members in the
30 same business entity as defined in section 501A.102.

31 b. Family members related as spouse, child, stepchild,
32 brother, or sister.

33 c. Partners in the same partnership which holds agricultural
34 land, or shareholders in the same family farm corporation or
35 members in the same family farm limited liability company and

1 defined in section 9H.1.

2 8. A custom farming contract tax credit shall be calculated
3 based on the gross amount paid to the beginning farmer under
4 the custom farming contract.

5 a. If the qualified beginning farmer is not a veteran, the
6 taxpayer may claim a tax credit equal to seven percent of the
7 gross amount paid to the taxpayer under the contract for each
8 tax year that the tax credit is allowed.

9 b. If the qualified beginning farmer is a veteran, the
10 taxpayer may claim a tax credit equal to eight percent of the
11 gross amount paid to the taxpayer under the contract for the
12 first year that the tax credit is allowed and seven percent
13 of the gross amount paid to the taxpayer under the contract
14 for each subsequent tax year that the tax credit is allowed.
15 However, the taxpayer may only claim seven percent of the gross
16 amount paid to the taxpayer under a renewed contract or a new
17 contract executed by the same parties.

18 9. A custom farming contract tax credit in excess of the
19 taxpayer's liability for the tax year may be credited to the
20 tax liability for the following five years or until depleted,
21 whichever is earlier. A tax credit shall not be carried back
22 to a tax year prior to the tax year in which the taxpayer
23 redeems the tax credit. A tax credit shall not be transferable
24 to any other person other than the taxpayer's estate or trust
25 upon the taxpayer's death.

26 10. A taxpayer shall not claim a custom farming contract
27 tax credit unless a tax credit certificate issued by the
28 agricultural development authority under this section is
29 attached to the taxpayer's tax return for the tax year for
30 which the tax credit is claimed. The authority must review and
31 approve an application for a tax credit certificate as provided
32 by rules adopted by the authority. The application must
33 include a copy of the custom farming contract. The authority
34 may approve an application and issue a tax credit certificate
35 to a taxpayer who has previously been allowed a tax credit

1 under this section. The authority may require that the parties
2 to the contract provide additional information as determined
3 relevant by the authority. The authority shall review an
4 application for a tax credit certificate which includes the
5 renewal of a contract to determine that the parties to the
6 renewed contract meet the same qualifications as required for
7 an original application. The authority shall not approve an
8 application or issue a tax credit certificate to a taxpayer for
9 an amount in excess of fifty thousand dollars. In addition,
10 the authority shall not approve an application or issue a
11 tax credit certificate to a taxpayer if any of the following
12 applies:

13 *a.* The taxpayer is at fault for terminating another custom
14 farming contract, as determined by the authority.

15 *b.* The taxpayer is party to a pending administrative or
16 judicial action, or classified as a habitual violator in the
17 same manner as provided in section 175.37.

18 *c.* The contract amount is substantially higher or lower
19 than the market rate for a similar custom farming contract, as
20 determined by the authority.

21 11. A taxpayer or the qualified beginning farmer may
22 terminate a custom farming contract as provided in the contract
23 or by law. The taxpayer must immediately notify the authority
24 of the termination.

25 *a.* If the authority determines that the taxpayer is not
26 at fault for the termination, the authority shall not issue a
27 tax credit certificate to the taxpayer for a subsequent tax
28 year based on the approved application. Any prior tax credit
29 is allowed as provided in this section until its expiration.
30 The taxpayer may apply for and be issued another tax credit
31 certificate for the same agricultural land under a custom
32 farming contract with another qualified beginning farmer.

33 *b.* If the authority determines that the taxpayer is at fault
34 for the termination, any prior tax credit allowed under this
35 section is disallowed, and the amount of the tax credit shall

1 be immediately due and payable to the department of revenue.
2 If a taxpayer does not immediately notify the authority of the
3 termination, the taxpayer shall be conclusively deemed at fault
4 for the termination.

5 Sec. 18. NEW SECTION. 175.39 Tax credit certificates —
6 availability.

7 1. The amount of tax credits that may be issued to support
8 the beginning farmer tax credit program shall not in the
9 aggregate exceed twelve million dollars in any year. Of the
10 aggregate amount, eight million dollars is allocated to support
11 the agricultural assets transfer tax credit as provided in
12 section 175.37 and four million dollars is allocated to support
13 the custom farming contract tax credit as provided in section
14 175.38. However, the authority's board of directors may at
15 any time during the year adjust the allocation by adopting a
16 resolution.

17 2. The authority shall issue tax certificates to support
18 a beginning farmer tax credit on a first-come, first-served
19 basis.

20 Sec. 19. Section 422.11M, Code 2013, is amended to read as
21 follows:

22 ~~422.11M Agricultural assets transferred to beginning~~
23 Beginning farmers — agricultural assets transfer tax credit and
24 custom farming contract tax credit.

25 The taxes imposed under this division, less the credits
26 allowed under section 422.12, shall be reduced by ~~an~~ the
27 following:

28 1. An agricultural assets transfer tax credit as allowed
29 under section 175.37.

30 2. A custom farming contract tax credit as allowed under
31 section 175.38.

32 Sec. 20. Section 422.33, subsection 21, Code 2013, is
33 amended to read as follows:

34 21. The taxes imposed under this division shall be reduced
35 by ~~an~~ the following:

1 a. An agricultural assets transfer tax credit as allowed
2 under section 175.37.

3 b. A custom farming contract tax credit as allowed under
4 section 175.38.

5 Sec. 21. REPEAL. Section 175.35, Code 2013, is repealed.

6 Sec. 22. EFFECTIVE UPON ENACTMENT. This Act, being deemed
7 of immediate importance, takes effect upon enactment.

8 Sec. 23. RETROACTIVE APPLICABILITY. This Act applies
9 retroactively to January 1, 2013, for tax years beginning on
10 or after that date.

11 EXPLANATION

12 BACKGROUND — AGRICULTURAL ASSETS TRANSFER TAX CREDIT.

13 In 2006, the general assembly enacted SF 2268 (2006 Iowa
14 Acts, chapter 1161) that provides a tax credit for owners
15 of agricultural assets (agricultural land, depreciable
16 agricultural property, crops, or livestock) who help beginning
17 farmers acquire those agricultural assets by lease or rental
18 arrangements. The program is administered by the agricultural
19 development authority (authority) established within the
20 department of agriculture and land stewardship. A beginning
21 farmer is an individual, partnership, family farm corporation,
22 or family farm limited liability company as provided under
23 Code chapter 9H (Iowa's corporate farming law), with a low or
24 moderate net worth, and who engages in farming or wishes to
25 engage in farming. The owner who executes an agricultural
26 assets transfer agreement approved by the authority may
27 claim a tax credit against individual or corporate income
28 tax liability after receiving a certificate issued by the
29 authority. Generally, the lessor must be a person who may
30 acquire or otherwise obtain or lease agricultural land under
31 Code chapter 9H or 9I (restricting corporate and foreign
32 ownership of agricultural land). The bill provides a number
33 of restrictions upon the authority in approving applications
34 and issuing certificates. The owner cannot be at fault for
35 terminating a prior agreement, be involved in legal proceedings

1 regarding environmental violations, or agree to provide more
2 agricultural assets than the beginning farmer can be expected
3 to adequately manage. The agricultural assets cannot be leased
4 or rented at a rate substantially different from similar market
5 arrangements. The agreement may be terminated, but if the
6 termination is the fault of the owner, any tax credits must be
7 repaid and no further tax credit certificates can be issued to
8 the taxpayer.

9 The tax credit equals 5 percent of the amount paid to the
10 taxpayer under the agreement, except in the case of a landlord
11 who shares in the costs associated with production. In that
12 case, the tax credit equals 15 percent of the amount paid to
13 the taxpayer from crops or animals sold.

14 In 2009, the general assembly enacted SF 483 (2009 Iowa Acts,
15 chapter 135), which capped the amount of tax credits to be an
16 amount not to exceed \$6 million per year with the requirement
17 that the certificates must be issued on a first-come,
18 first-served basis.

19 BILL — BEGINNING FARMER TAX CREDIT PROGRAM. This bill
20 amends the agricultural assets transfer tax credit and creates
21 a new custom farming contract tax credit to encourage taxpayers
22 who hold agricultural land, in the same manner as required
23 under the agricultural assets transfer tax credit, to enter
24 into custom farming contracts with beginning farmers. The bill
25 provides common criteria for beginning farmers who qualify as
26 beginning farmers to participate in the program. A qualified
27 beginning farmer must be a resident of this state; have
28 sufficient education, training, or experience in farming; have
29 access to adequate working capital and production equipment,
30 will materially and substantially participate in farming, and
31 is not responsible for managing or maintaining agricultural
32 land and other agricultural assets that are greater than
33 necessary to adequately support a beginning farmer. The
34 bill requires the authority to administer the tax credits
35 in a uniform manner, and establish a due date to receive

1 applications to participate in the program. The bill makes
2 net worth requirements for beginning farmers uniform among
3 all programs administered by the authority (\$691,172). The
4 authority must submit an annual report to the governor and
5 general assembly regarding the program.

6 BILL — AGRICULTURAL ASSETS TRANSFER TAX CREDIT. The bill
7 amends the agricultural assets transfer tax credit. The
8 bill provides that an agricultural transfer agreement cannot
9 be assigned and the land subject to the agreement cannot be
10 subleased. The bill increases the amount of the tax credit.
11 For an agreement which includes a lease on a cash basis, the
12 credit is increased from 5 to 7 percent of the gross amount
13 paid to the taxpayer under the agreement. For an agreement
14 which includes a lease on a commodity share basis, the rate
15 is increased from 15 to 17 percent. However, the percentages
16 are increased by one percentage point if the beginning farmer
17 is a veteran. The bill also allows the authority to elect an
18 alternative method to compute a tax credit for a lease based on
19 a crop share basis according to a formula which multiplies the
20 average per bushel yield in the same county where the leased
21 land is located by a per bushel state price. The bill provides
22 that an agricultural assets transfer tax credit cannot exceed
23 \$50,000.

24 BILL — CUSTOM FARMING CONTRACT TAX CREDIT. The bill
25 establishes a custom farming contract tax credit to encourage
26 taxpayers who hold agricultural land to execute custom farming
27 contracts with beginning farmers who qualify under the terms of
28 the bill. The bill provides that the custom farming contract
29 tax credit is also to be administered by the authority.

30 The bill provides that the contract amount of a custom
31 farming contract cannot be substantially higher or lower than
32 the market rate for similar contracts. The contract must be
33 in writing and cannot be for more than 12 months' duration.
34 The taxpayer must make all management decisions substantially
35 contributing to or affecting the production of crops or

1 livestock located on the taxpayer's agricultural land, although
2 the qualified beginning farmer may make day-to-day operational
3 decisions affecting production. The qualified beginning farmer
4 must provide any necessary tools, machinery, or equipment
5 and labor must be furnished on a regular, continuous, and
6 substantial basis. In addition, the taxpayer and the beginning
7 farmer cannot have a common legal or equitable interest in
8 the agricultural land or be related to each other as family
9 members.

10 A custom farming contract tax credit is allowed only for the
11 amount paid by the taxpayer to a qualified beginning farmer
12 under a custom farming contract on a cash basis equaling at
13 least \$1,000. The tax credit equals 7 percent of the gross
14 amount paid to the beginning farmer under the custom farming
15 contract. The tax credit is increased to 8 percent for one
16 year if the beginning farmer is a veteran. It allows the
17 tax credit to be carried forward but not back, and is not
18 transferrable. The department of revenue may recapture the
19 amount of the tax credit if the contract is terminated due
20 to the taxpayer's fault, as specified in the bill. The bill
21 requires the authority to issue a tax certificate to the
22 taxpayer which must be attached to the tax return. A tax
23 credit certificate cannot exceed \$50,000.

24 TAX CREDIT CERTIFICATES. The bill allows the authority to
25 issue each year up to \$12 million in tax credit certificates
26 for both the current agricultural assets transfer tax credit
27 and the bill's new custom farming contract tax credit. Each
28 year, \$8 million is allocated to support the agricultural
29 assets transfer tax credit and \$4 million is allocated to
30 support the custom framing contract tax credit. However, the
31 authority may adjust the allocation during the year as it deems
32 necessary. The authority must issue tax credit certificates
33 allocated under the new program on a first-come, first-served
34 basis, as is the case for the agricultural assets transfer tax
35 credit.

H.F. 252

1 EFFECTIVE DATE AND RETROACTIVITY. The bill takes effect
2 upon enactment and applies retroactively to January 1, 2013,
3 for tax years beginning on or after that date.