

House File 599 - Introduced

HOUSE FILE 599

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 252)

(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 principally used to produce crops or
16 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 qualifying to participate in the beginning farmer tax credit
7 program.

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

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

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

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

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

33 5. Is not responsible for managing or maintaining
34 agricultural land and other agricultural assets that are
35 greater than necessary to adequately support a beginning farmer

1 as determined by the authority according to rules which shall
2 be adopted by the authority.

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

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

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

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

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

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

27 Sec. 8. Section 175.37, subsection 2, paragraph b, Code
28 2013, is amended to read as follows:

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

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

33 4. The tax credit is allowed only for agricultural assets
34 that are subject to an agricultural assets transfer agreement.
35 The agreement shall provide for the lease of agricultural land

1 located in this state, including any improvements and may
2 provide for the rental of agricultural equipment as defined in
3 section 322F.1.

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

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

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

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

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

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

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

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

1 a renewed agreement or a new agreement executed by the same
2 parties.

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

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

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

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

31 Sec. 11. Section 175.37, subsection 6, Code 2013, is amended
32 by striking the subsection.

33 Sec. 12. Section 175.37, subsection 8, unnumbered paragraph
34 1, Code 2013, is amended to read as follows:

35 A taxpayer shall not claim a tax credit under this section

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

22 Sec. 13. Section 175.37, subsection 8, paragraph c, Code
23 2013, is amended by striking the paragraph.

24 Sec. 14. Section 175.37, subsection 9, unnumbered paragraph
25 1, Code 2013, is amended to read as follows:

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

30 Sec. 15. Section 175.37, subsection 9, paragraph b, Code
31 2013, is amended to read as follows:

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

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

5 Sec. 16. Section 175.37, subsection 10, Code 2013, is
6 amended by striking the subsection.

7 Sec. 17. NEW SECTION. **175.38 Custom farming contract tax**
8 **credit.**

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

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

23 3. An individual may claim a custom farming contract
24 tax credit of a partnership, limited liability company,
25 S corporation, estate, or trust electing to have income
26 taxed directly to the individual. The amount claimed by the
27 individual shall be based upon the pro rata share of the
28 individual's earnings from the partnership, limited liability
29 company, S corporation, estate, or trust.

30 4. A custom farming contract tax credit is allowed only for
31 the amount paid by the taxpayer to a qualified beginning farmer
32 under a custom farming contract as provided in rules adopted by
33 the department. The contract must provide for the production
34 of crops located on agricultural land or the production of
35 livestock principally located on agricultural land. The

1 agricultural land must be real estate and any improvements used
2 for farming in which the taxpayer holds a legal or equitable
3 interest.

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

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

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

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

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

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

33 b. Family members related as spouse, child, stepchild,
34 brother, or sister.

35 c. Partners in the same partnership which holds agricultural

1 land, or shareholders in the same family farm corporation or
2 members in the same family farm limited liability company and
3 defined in section 9H.1.

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

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

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

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

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

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

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

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

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

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

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

1 **b.** If the authority determines that the taxpayer is at fault
2 for the termination, any prior tax credit allowed under this
3 section is disallowed, and the amount of the tax credit shall
4 be immediately due and payable to the department of revenue.
5 If a taxpayer does not immediately notify the authority of the
6 termination, the taxpayer shall be conclusively deemed at fault
7 for the termination.

8 Sec. 18. NEW SECTION. 175.39 Tax credit certificates —
9 availability.

10 1. The amount of tax credits that may be issued to support
11 the beginning farmer tax credit program shall not in the
12 aggregate exceed twelve million dollars in any year. Of the
13 aggregate amount, eight million dollars is allocated to support
14 the agricultural assets transfer tax credit as provided in
15 section 175.37 and four million dollars is allocated to support
16 the custom farming contract tax credit as provided in section
17 175.38. However, the authority's board of directors may at
18 any time during the year adjust the allocation by adopting a
19 resolution.

20 2. The authority shall issue tax certificates to support
21 a beginning farmer tax credit on a first-come, first-served
22 basis.

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

25 ~~422.11M Agricultural assets transferred to beginning~~
26 Beginning farmers — agricultural assets transfer tax credit and
27 custom farming contract tax credit.

28 The taxes imposed under this division, less the credits
29 allowed under section 422.12, shall be reduced by ~~an~~ the
30 following:

31 1. An agricultural assets transfer tax credit as allowed
32 under section 175.37.

33 2. A custom farming contract tax credit as allowed under
34 section 175.38.

35 Sec. 20. Section 422.33, subsection 21, Code 2013, is

1 amended to read as follows:

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

4 a. An agricultural assets transfer tax credit as allowed
5 under section 175.37.

6 b. A custom farming contract tax credit as allowed under
7 section 175.38.

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

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

11 Sec. 23. RETROACTIVE APPLICABILITY. This Act applies
12 retroactively to January 1, 2013, for tax years beginning on
13 or after that date.

14 EXPLANATION

15 BACKGROUND — AGRICULTURAL ASSETS TRANSFER TAX CREDIT.

16 In 2006, the general assembly enacted SF 2268 (2006 Iowa
17 Acts, chapter 1161) that provides a tax credit for owners
18 of agricultural assets (agricultural land, depreciable
19 agricultural property, crops, or livestock) who help beginning
20 farmers acquire those agricultural assets by lease or rental
21 arrangements. The program is administered by the agricultural
22 development authority (authority) established within the
23 department of agriculture and land stewardship. A beginning
24 farmer is an individual, partnership, family farm corporation,
25 or family farm limited liability company as provided under
26 Code chapter 9H (Iowa's corporate farming law), with a low or
27 moderate net worth, and who engages in farming or wishes to
28 engage in farming. The owner who executes an agricultural
29 assets transfer agreement approved by the authority may
30 claim a tax credit against individual or corporate income
31 tax liability after receiving a certificate issued by the
32 authority. Generally, the lessor must be a person who may
33 acquire or otherwise obtain or lease agricultural land under
34 Code chapter 9H or 9I (restricting corporate and foreign
35 ownership of agricultural land). The bill provides a number

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

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

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

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

1 necessary to adequately support a beginning farmer. The
2 bill requires the authority to administer the tax credits
3 in a uniform manner, and establish a due date to receive
4 applications to participate in the program. The bill makes
5 net worth requirements for beginning farmers uniform among
6 all programs administered by the authority (\$691,172). The
7 authority must submit an annual report to the governor and
8 general assembly regarding the program.

9 BILL — AGRICULTURAL ASSETS TRANSFER TAX CREDIT. The bill
10 amends the agricultural assets transfer tax credit. The
11 bill provides that an agricultural transfer agreement cannot
12 be assigned and the land subject to the agreement cannot be
13 subleased. The bill increases the amount of the tax credit.
14 For an agreement which includes a lease on a cash basis, the
15 credit is increased from 5 to 7 percent of the gross amount
16 paid to the taxpayer under the agreement. For an agreement
17 which includes a lease on a commodity share basis, the rate
18 is increased from 15 to 17 percent. However, the percentages
19 are increased by one percentage point if the beginning farmer
20 is a veteran. The bill also allows the authority to elect an
21 alternative method to compute a tax credit for a lease based on
22 a crop share basis according to a formula which multiplies the
23 average per bushel yield in the same county where the leased
24 land is located by a per bushel state price. The bill provides
25 that an agricultural assets transfer tax credit cannot exceed
26 \$50,000.

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

33 The bill provides that the contract amount of a custom
34 farming contract cannot be substantially higher or lower than
35 the market rate for similar contracts. The contract must be

1 in writing and cannot be for more than 12 months' duration.
2 The taxpayer must make all management decisions substantially
3 contributing to or affecting the production of crops or
4 livestock located on the taxpayer's agricultural land, although
5 the qualified beginning farmer may make day-to-day operational
6 decisions affecting production. The qualified beginning farmer
7 must provide any necessary tools, machinery, or equipment
8 and labor must be furnished on a regular, continuous, and
9 substantial basis. In addition, the taxpayer and the beginning
10 farmer cannot have a common legal or equitable interest in
11 the agricultural land or be related to each other as family
12 members.

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

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

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1 allocated under the new program on a first-come, first-served
2 basis, as is the case for the agricultural assets transfer tax
3 credit.

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