

House Study Bill 140 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
AGRICULTURE BILL BY
CHAIRPERSON HEIN)

A BILL FOR

1 An Act extending the beginning farmer tax credit program and
2 appropriations used to support the program, including the
3 agricultural assets transfer tax credit and the custom
4 farming contract tax credit.

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

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DIVISION I

AGRICULTURAL ASSETS TRANSFER TAX CREDIT — REPEAL — EXTENSION

Section 1. 2014 Iowa Acts, chapter 1080, section 125, is amended to read as follows:

SEC. 125. EFFECTIVE DATES.

1. ~~a. Except as provided in subsection 2, this~~ This division of this Act takes effect January 1, ~~2018~~ 2023.

~~b. 2.~~ 2. The section of this division of this Act which enacts the agricultural assets transfer tax credit as codified in section 16.80 takes effect instantly upon the repeal of the agricultural assets transfer tax credit previously codified in section 16.80 and enacted in another division of this Act.

~~2. The section of this division of this Act which requires the Iowa finance authority to propose legislation for consideration by the general assembly takes effect July 1, 2016.~~

Sec. 2. REPEAL. 2014 Iowa Acts, chapter 1080, section 124, is repealed.

DIVISION II

FORMER, CURRENT, AND FUTURE VERSIONS OF THE AGRICULTURAL ASSETS TRANSFER TAX CREDIT — TEN-YEAR CARRYFORWARD

Sec. 3. 2014 Iowa Acts, chapter 1112, section 1, subsection 3, is amended to read as follows:

3. The carryforward provisions of this section shall continue to be effective until no longer applicable, including by application to tax years beginning on or after January 1, ~~2018~~ 2023.

Sec. 4. 2014 Iowa Acts, chapter 1112, section 5, subsection 4, is amended to read as follows:

4. The carryforward provisions of this section shall continue to be effective until no longer applicable, including by application to tax years beginning on or after January 1, ~~2018~~ 2023.

Sec. 5. 2014 Iowa Acts, chapter 1112, section 9, subsections 2 and 3, are amended to read as follows:

1 2. For any tax year commencing in calendar years 2015
2 through ~~2017~~ 2022, a tax credit that is first issued, awarded,
3 or allowed and claimed under [section 16.80](#), as that section
4 applies when the tax credit is first claimed, and in excess of
5 the taxpayer's liability, may be credited to the tax liability
6 of that taxpayer for ten tax years following the tax year that
7 the taxpayer first claims the tax credit, or until depleted,
8 whichever is earlier.

9 3. The carryforward provisions of this section shall
10 continue to be effective until no longer applicable, including
11 by application to tax years beginning on or after January 1,
12 ~~2018~~ 2023.

13 Sec. 6. 2014 Iowa Acts, chapter 1112, section 15, is amended
14 to read as follows:

15 SEC. 15. EFFECTIVE DATE — CONDITION. This division of
16 this Act takes effect January 1, ~~2018, only if 2014 Iowa Acts,~~
17 ~~Senate File 2328, is enacted~~ 2023.

18 Sec. 7. 2014 Iowa Acts, chapter 1112, section 16, is amended
19 to read as follows:

20 SEC. 16. APPLICABILITY. This division of this Act applies
21 to tax years beginning on or after January 1, ~~2018~~ 2023.

22 Sec. 8. 2014 Iowa Acts, chapter 1112, section 18, subsection
23 4, is amended to read as follows:

24 4. The carryforward provisions of this section shall
25 continue to be effective until no longer applicable, including
26 by application to tax years beginning on or after January 1,
27 ~~2018~~ 2023.

28 Sec. 9. 2014 Iowa Acts, chapter 1112, section 22,
29 subsections 2 and 3, are amended to read as follows:

30 2. For any tax year commencing in calendar years 2015
31 through ~~2017~~ 2022, a tax credit that is first issued, awarded,
32 or allowed and claimed under [section 16.81](#), as that section
33 applies when the tax credit is first claimed, and in excess of
34 the taxpayer's liability, may be credited to the tax liability
35 of that taxpayer for ten tax years following the tax year

1 for which the taxpayer first claims the tax credit, or until
2 depleted, whichever is earlier.

3 3. The carryforward provisions of this section shall
4 continue to be effective until no longer applicable, including
5 by application to tax years beginning on or after January 1,
6 ~~2018~~ 2023.

7 EXPLANATION

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

10 GENERAL. This bill extends the beginning farmer tax credit
11 program established in 2013 which allows taxpayers holding
12 agricultural land used for farming to claim two types of income
13 tax credits: (1) the agricultural assets transfer tax credit
14 and (2) the custom farming contract tax credit. The program
15 is due to expire on January 1, 2018, and the bill extends that
16 date five years to January 1, 2023. On that same date, a
17 former version of the agricultural assets transfer tax credit
18 as it existed immediately prior to 2013 is restored with one
19 exception. The former version would incorporate a change made
20 in the 2013 legislation which increased the carryforward period
21 from five to 10 years. When the program is eliminated and the
22 former version of the agricultural assets transfer tax credit
23 is restored, the available standing appropriation used to
24 support the agricultural assets transfer tax credit is restored
25 to the pre-2013 amount of \$6 million, a reduction from \$12
26 million currently available to support both tax credits.

27 BACKGROUND — PROGRAM. A taxpayer who holds agricultural
28 land which may include other assets (such as depreciable
29 agricultural property, crops, or livestock), and who executes
30 an agreement with a beginning farmer is entitled to claim a
31 tax credit against individual or corporate tax liability (Code
32 section 16.80). The agricultural assets transfer tax credit
33 is available to a taxpayer who assists a beginning farmer in
34 acquiring agricultural assets (land by lease or equipment by
35 rental agreement). The custom farming contract tax credit

1 is available to a taxpayer who enters into a contract with
2 a beginning farmer to perform custom work on agricultural
3 land held by the taxpayer (Code section 16.81). Generally,
4 \$8 million of the appropriated \$12 million is allocated to
5 support the agricultural assets transfer tax credit and the
6 remaining \$4 million is allocated to support the custom farming
7 contract tax credit (Code section 16.82). For the agricultural
8 assets transfer tax credit, the tax credit percentages for cash
9 rent and crop share agreements are 7 percent and 17 percent,
10 respectively, with an additional 1 percent bonus provided for
11 the first year of the agreement if the beginning farmer is
12 a veteran. Once the former agricultural assets transfer tax
13 credit is restored, the tax credit percentages are reduced to 5
14 and 15 percent, respectively, and without a veteran bonus. For
15 a custom farming contract tax credit, the tax credit percentage
16 equals 7 percent of the value of the contract on a tax credit
17 with an additional 1 percent bonus provided if the beginning
18 farmer is a veteran. A taxpayer cannot claim a tax credit in
19 excess of \$50,000 under either program. The restored version
20 of the agricultural assets transfer tax credit does not limit
21 the amount that a taxpayer may claim.

22 BACKGROUND — ADMINISTRATION. In 2013 and 2014, supervision
23 of the program was transferred from the Iowa agricultural
24 development authority to the Iowa finance authority and the
25 relevant statutory provisions were transferred from Code
26 chapter 175 to Code chapter 16 (2013 Iowa Acts, ch. 100, and
27 2014 Iowa Acts, ch. 1080).