

**House File 647 - Introduced**

HOUSE FILE 647

BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO HSB 173)

**A BILL FOR**

1 An Act providing for a beginning farmer tax credit program,  
2 providing for fees, and including effective date and  
3 retroactive applicability provisions.  
4 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 2019, is amended to read as follows:

3 (1) The ~~agricultural assets transfer~~ beginning farmer  
4 tax credit program as provided in ~~section 16.80~~ chapter 16,  
5 subchapter VIII, part 5, subpart B.

6 Sec. 2. Section 16.2B, subsection 3, paragraph b, Code 2019,  
7 is amended to read as follows:

8 *b.* ~~Obtain agricultural assets transfer~~ Claim the beginning  
9 farmer tax credits, including tax credit certificates issued  
10 pursuant to subchapter VIII, part 5, subpart B.

11 Sec. 3. Section 16.2C, subsection 2, Code 2019, is amended  
12 to read as follows:

13 2. The agricultural development board is created to  
14 exercise all powers and perform all duties necessary to  
15 administer ~~subchapter VIII~~ according to policies established  
16 ~~by the authority. The authority shall establish policies~~  
17 ~~and practices for the division and oversee its operations.~~  
18 ~~The authority may review or approve decisions affecting the~~  
19 ~~division or administration of subchapter VIII, including~~  
20 ~~decisions of the agricultural development board.~~

21 Sec. 4. Section 16.58, subsections 6 and 9, Code 2019, are  
22 amended to read as follows:

23 6. "*Beginning farmer*" means an individual, partnership,  
24 family farm corporation, or family farm limited liability  
25 company, ~~with a low or moderate net worth~~ that engages  
26 in farming or wishes to engage in farming and meets the  
27 eligibility requirements of the applicable program as provided  
28 in this subchapter.

29 9. "*Farming*" means the cultivation of land for the  
30 production of agricultural crops, the raising of poultry, the  
31 production of eggs, the production of milk, the production of  
32 fruit or other horticultural crops, grazing, the production of  
33 livestock, aquaculture, hydroponics, the production of forest  
34 products, or other activities designated by ~~the authority by~~  
35 rules adopted by the agricultural development board subject to

1 chapter 17A.

2 Sec. 5. Section 16.59, subsection 4, Code 2019, is amended  
3 to read as follows:

4 4. For a family farm limited liability company, an aggregate  
5 net worth of all members, including each member's ownership  
6 interest in the family farm limited liability company, and  
7 each member's spouse and minor children of not greater than  
8 twice the low or moderate net worth. However, the aggregate  
9 net worth of each member and that member's spouse and minor  
10 children shall not exceed the low or moderate net worth.

11 Sec. 6. Section 16.75, subsection 3, Code 2019, is amended  
12 by adding the following new paragraph:

13 NEW PARAGRAPH. *h.* The beginning farmer has a low or  
14 moderate net worth.

15 Sec. 7. NEW SECTION. **16.77 Definitions.**

16 As used in this subpart B, unless the context otherwise  
17 requires:

18 1. "*Agricultural development board*" or "*board*" means the  
19 agricultural development board created in section 16.2C.

20 2. "*Agricultural development division*" or "*division*" means  
21 the agricultural development division created within the  
22 authority pursuant to section 16.2B.

23 3. "*Agricultural lease agreement*" or "*agreement*" means an  
24 agreement for the transfer of agricultural assets, that must at  
25 least include a lease of agricultural land, from an eligible  
26 taxpayer to a qualified beginning farmer as provided in section  
27 16.79A.

28 4. "*Eligible taxpayer*" means a taxpayer who may participate  
29 in the beginning farmer tax credit program, including by  
30 meeting all the criteria as provided in section 16.79.

31 5. "*Program*" means the beginning farmer tax credit program  
32 created pursuant to section 16.78.

33 6. "*Qualified beginning farmer*" means a beginning farmer who  
34 meets the requirements to participate in a beginning farmer tax  
35 credit program as provided in section 16.79.

1     7. "*Tax credit*" means the beginning farmer tax credit  
2 allowed under section 16.82.

3     Sec. 8. NEW SECTION. **16.78 Beginning farmer tax credit**  
4 **program — establishment and administration.**

5     1. A beginning farmer tax credit program is established  
6 under the control of the agricultural development board.

7     2. To every extent practicable, the board shall administer  
8 the program in a manner that encourages participation by  
9 eligible taxpayers and qualifying beginning farmers for the  
10 primary purposes of providing beginning farmers access to  
11 farmland and enhancing the stability of the beginning farmer's  
12 farming business.

13     3. The board shall adopt rules in accordance with chapter  
14 17A as necessary for the administration of this subpart. The  
15 eligibility requirements for taxpayers and the qualifications  
16 for beginning farmers as provided in the rules shall not be  
17 more stringent than provided in this subpart.

18     4. The board shall approve the preparation or revision and  
19 publication or distribution of forms necessary to administer  
20 this subpart.

21     5. The department of revenue shall cooperate with the  
22 authority, including the division, in administering the  
23 program.

24     Sec. 9. NEW SECTION. **16.79 Beginning farmer tax credit**  
25 **program — eligibility criteria.**

26     1. A taxpayer is eligible to participate in the beginning  
27 farmer tax credit program if the taxpayer meets all of the  
28 following requirements:

29     a. The taxpayer is a person who may acquire or otherwise  
30 obtain or lease agricultural land in this state pursuant to  
31 chapter 9H or 9I. However, the taxpayer must not be a person  
32 who may acquire or otherwise obtain or lease agricultural  
33 land exclusively because of an exception provided in one of  
34 those chapters or in a provision of another chapter of this  
35 Code including but not limited to chapter 10, 10D, or 501, or

1 section 15E.207.

2 *b.* The taxpayer has entered into an agricultural lease  
3 agreement with a qualified beginning farmer to lease  
4 agricultural land as provided in section 16.79A.

5 *c.* The taxpayer has not been at fault for terminating a  
6 prior agreement under the program or another agreement in which  
7 the taxpayer was allowed to claim a tax credit under section  
8 175.37 as it existed prior to January 1, 2015, or section 16.80  
9 as it existed prior to January 1, 2018.

10 *d.* If the agreement includes the lease of a confinement  
11 feeding operation structure as defined in section 459.102, the  
12 taxpayer is not a party to a pending administrative or judicial  
13 action, including a contested case proceeding under chapter  
14 17A, relating to an alleged violation involving an animal  
15 feeding operation as regulated by the department of natural  
16 resources, regardless of whether the pending action is brought  
17 by the department or the attorney general.

18 *e.* The taxpayer is not classified as a habitual violator for  
19 a violation of state law involving an animal feeding operation  
20 as regulated by the department of natural resources under  
21 chapter 459.

22 2. A farmer is a qualified beginning farmer eligible to  
23 participate in the program by meeting all of the following  
24 criteria:

25 *a.* Is a resident of the state. If the beginning farmer is a  
26 partnership, all partners must be residents of the state. If a  
27 beginning farmer is a family farm corporation, all shareholders  
28 must be residents of the state. If the beginning farmer is  
29 a family farm limited liability company, all members must be  
30 residents of the state.

31 *b.* Has sufficient education, training, or experience in  
32 farming. If the beginning farmer is a partnership, at least  
33 one partner who is not a minor must have sufficient education,  
34 training, or experience in farming. If the beginning farmer is  
35 a family farm corporation, at least one shareholder who is not

1 a minor must have sufficient education, training, or experience  
2 in farming. If the beginning farmer is a family farm limited  
3 liability company, at least one member who is not a minor must  
4 have sufficient education, training, or experience in farming.  
5 The individual who is the partner, shareholder, or member  
6 meeting the requirements of this paragraph shall also meet the  
7 criteria described in paragraph "e". The eligible taxpayer  
8 claiming the beginning farmer tax credit shall not be a partner  
9 of a partnership, shareholder of a family farm corporation, or  
10 member of a family farm limited liability company leasing the  
11 agricultural asset.

12 c. Has access to adequate working capital and production  
13 items.

14 d. Will materially and substantially participate in  
15 farming. If the beginning farmer is a partnership, family  
16 farm corporation, or family farm limited liability company,  
17 at least one of the partners, shareholders, or members who is  
18 not a minor must materially and substantially participate in  
19 farming. The individual who is the partner, shareholder, or  
20 member meeting the requirements of this paragraph shall also  
21 meet the criteria described in paragraph "e".

22 e. Has owned and operated a farming business for ten years  
23 or less at the time of application. Time spent as an employee  
24 in another person's farm business is excluded from the ten-year  
25 limitation.

26 f. Does not own more than a ten percent ownership interest  
27 in an agricultural asset included in the agreement.

28 Sec. 10. NEW SECTION. 16.79A Agricultural lease agreement.

29 1. A beginning farmer tax credit is allowed only for  
30 agricultural assets that are subject to an agricultural lease  
31 agreement entered into by an eligible taxpayer and a qualifying  
32 beginning farmer participating in the beginning farmer tax  
33 credit program established pursuant to section 16.78.

34 2. The agreement must include the lease of agricultural  
35 land 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 3. *a.* The agreement must include provisions which describe  
4 the consideration paid for the agreement in a manner that  
5 allows the agricultural development board to estimate the value  
6 of the lease as provided in section 16.81.

7 *b.* The agreement must be in writing.

8 *c.* The agreement must be for at least two years, but not  
9 more than five years. The agreement may be renewed by the  
10 eligible taxpayer and qualified beginning farmer for a term of  
11 at least two years, but not more than five years.

12 *d.* The agreement shall not include a lease or rental of  
13 equipment intended as a security.

14 *e.* The agreement cannot be assigned and the agricultural  
15 land subject to the agreement shall not be subleased.

16 *f.* The agricultural assets shall not be leased or rented at  
17 a rate that is substantially higher or lower than the market  
18 rate for similar agricultural assets leased or rented within  
19 the same community.

20 4. The agreement may be amended after the authority issues  
21 an eligibility certificate without changing the eligibility  
22 status of the taxpayer. However, the underlying lease for  
23 agricultural land may only be amended without submitting a new  
24 application, if any of the following apply:

25 *a.* The terms of the amended lease are more favorable to the  
26 qualified beginning farmer, including but not limited to the  
27 rent payment being reduced.

28 *b.* A party has changed their name.

29 *c.* The owner of an agricultural asset is changed to the  
30 owner's estate.

31 5. An eligible taxpayer or qualified beginning farmer may  
32 terminate an agreement as provided in the agreement or by law.  
33 The eligible taxpayer must notify the agricultural development  
34 division of the termination within thirty days of the date of  
35 termination.

1     Sec. 11. NEW SECTION. 16.81 **Beginning farmer tax credit**  
2 **— application.**

3     1. The deadline for submitting an application to the  
4 agricultural development division to claim a beginning farmer  
5 tax credit is August 1 of each year. The application shall be  
6 for a period that is not longer than the term of the lease.

7     2. The division shall charge an application fee not to  
8 exceed three hundred dollars regardless of the type or length  
9 of agricultural lease agreement. Any amount received by the  
10 division shall be considered repayment receipts as defined in  
11 section 8.2.

12     3. The agricultural development board shall review and  
13 approve an application for a tax credit as provided by rules  
14 adopted by the board. The application must include a copy of  
15 the agricultural lease agreement. The division may require  
16 that the parties to an agreement provide additional information  
17 as determined relevant by the board. The board shall review  
18 an application which includes the renewal of an agreement to  
19 determine that the parties to the renewed agreement meet the  
20 same qualifications as required for an original application.

21     4. The board shall approve all beginning farmer tax credit  
22 applications on a first-come, first-served basis until the  
23 limit in section 16.82A is met. The board shall review and  
24 may approve an application regardless of whether the eligible  
25 taxpayer has previously been allowed a tax credit under this  
26 section, section 175.37 as it existed prior to January 1, 2015,  
27 or section 16.80 as it existed prior to January 1, 2018.

28     5. The division shall estimate the amount of the tax credit  
29 under the agreement using the following methods:

30     a. In the case of an agreement on a fixed basis, in which  
31 an eligible taxpayer receives a fixed cash rent payment, the  
32 estimated amount of the tax credit equals five percent of the  
33 amount of the fixed cash rent payment.

34     b. In the case of an agreement on a commodity share basis,  
35 in which an eligible taxpayer receives as a rent payment a



1 percentage of the commodity produced, the estimated amount of  
2 the tax credit shall be based on an equation established by  
3 rule adopted by the board. If the agreement is on a crop share  
4 basis, the board shall use data compiled by the United States  
5 department of agriculture. The estimated amount of tax credit  
6 equals fifteen percent of the amount that the eligible taxpayer  
7 would receive as a rent payment from the sale of the eligible  
8 taxpayer's share of the crop in the harvest year. The equation  
9 established by the board to estimate the rent payment shall  
10 include all of the following factors:

11 (1) The past ten-year average per bushel yield for the  
12 same type of grain as produced under the agreement in the same  
13 county where the leased agricultural land is located excluding  
14 the years of highest and lowest per bushel yields.

15 (2) The per bushel state price established for the same  
16 type of grain harvested as described in subparagraph (1).  
17 Price information shall be averaged from the past five years  
18 excluding the years of the highest and lowest per bushel state  
19 price.

20 c. For an agreement made on a flexible basis in which an  
21 eligible taxpayer receives a rent payment consisting of a fixed  
22 cash payment and an amount subject to adjustment according to a  
23 risk-sharing arrangement, or receives a rent payment consisting  
24 of an amount subject to adjustment according to a risk-sharing  
25 arrangement, the estimated amount of the tax credit equals the  
26 sum of the following amounts:

27 (1) To the extent that a portion of the amount of the  
28 rent payment is calculated on a fixed basis as described in  
29 paragraph "a", that portion of the estimated tax credit equals  
30 five percent of the fixed cash payment in the same manner as  
31 provided in paragraph "a".

32 (2) To the extent that a portion of the amount of the rent  
33 payment is calculated on a commodity share basis as described  
34 in paragraph "b", that portion of the estimated tax credit  
35 equals fifteen percent of the amount that the eligible taxpayer

1 would receive from the sale of the eligible taxpayer's share of  
2 the commodity in the same manner as provided in paragraph "b".

3 (3) (a) To the extent that the amount of the rent payment  
4 may be adjusted after taking into account all risk-sharing  
5 factors provided in the agreement, the estimated tax credit  
6 equals fifteen percent of the highest adjusted amount that  
7 the eligible taxpayer could receive not counting any amount  
8 previously calculated when adding the amounts in subparagraphs  
9 (1) and (2).

10 (b) As used in subparagraph division (a), "*risk-sharing*  
11 *factor*" means an occurrence or lack of occurrence, that may  
12 affect the commodity's production or profitability as provided  
13 in the agreement, and which may include but is not limited to  
14 production costs, per acre crop yield, gross revenue, or market  
15 price.

16 (c) The board shall adopt rules establishing criteria for  
17 commonly used risk-sharing factors and adjustment limits.

18 6. After the board has approved an application, all of the  
19 following apply:

20 a. The authority shall issue a beginning farmer tax credit  
21 eligibility certification to an eligible taxpayer as provided  
22 in section 16.82A.

23 b. An eligible taxpayer may claim the tax credit each tax  
24 year as provided in section 16.82.

25 7. Any financial, contractual, or legal authorization  
26 records provided to the authority, including the division,  
27 shall be kept confidential and are not subject to chapter 22.

28 Sec. 12. NEW SECTION. **16.82 Beginning farmer tax credit**  
29 **— allowance.**

30 1. A beginning farmer tax credit is authorized under the  
31 beginning farmer tax credit program as provided in section  
32 16.78. The beginning farmer tax credit is allowed against  
33 the taxes imposed in chapter 422, division II, as provided in  
34 section 422.11E, and in chapter 422, division III, as provided  
35 in section 422.33, subsection 21, to facilitate the transfer of

1 agricultural assets from an eligible taxpayer to a qualifying  
2 beginning farmer participating in the program.

3 2. An individual may claim a beginning farmer tax credit  
4 under this section of a partnership, limited liability company,  
5 S corporation, estate, or trust electing to have income  
6 taxed directly to the individual. The amount claimed by the  
7 individual shall be based upon the pro rata share of the  
8 individual's earnings from the partnership, limited liability  
9 company, S corporation, estate, or trust.

10 3. For an agricultural lease agreement made on a fixed basis  
11 as described in section 16.81, the eligible taxpayer may claim  
12 a tax credit equal to five percent of the gross amount paid to  
13 the eligible taxpayer under the agreement for each tax year  
14 that the tax credit is allowed.

15 4. For an agreement made on a commodity share basis as  
16 described in section 16.81, the eligible taxpayer may claim a  
17 tax credit equal to fifteen percent of the gross amount paid  
18 to the eligible taxpayer from the sale of the share of crops or  
19 livestock received by the eligible taxpayer under the agreement  
20 for each tax year that the tax credit is allowed or until all  
21 the income from the agreement is realized by the eligible  
22 taxpayer.

23 5. For an agreement made on a flexible basis as described  
24 in section 16.81, the eligible taxpayer may claim a tax credit  
25 equal to the sum of the following amounts:

26 a. To the extent that the agreement provides that a  
27 portion of the payment is a fixed cash payment as described  
28 in subsection 3, the eligible taxpayer may claim a tax credit  
29 equal to five percent of the amount of the rent payment paid  
30 to the eligible taxpayer under the agreement for each tax year  
31 that the tax credit is allowed.

32 b. To the extent that the agreement provides that a portion  
33 of the payment is calculated on a commodity share basis as  
34 described in subsection 4, the eligible taxpayer may claim  
35 a tax credit equal to fifteen percent of the amount paid to

1 the eligible taxpayer from the sale of the share of crops  
2 or livestock received under the agreement for each tax year  
3 that the tax credit is allowed until all the income from the  
4 agreement is realized by the eligible taxpayer.

5     c. (1) To the extent that the agreement provides that  
6 the payment under the agreement is adjusted after taking into  
7 account all risk-sharing factors provided in the agreement,  
8 the estimated tax credit shall equal fifteen percent of the  
9 adjusted amount received under the agreement.

10     (2) As used in subparagraph (1), "*risk-sharing factor*" means  
11 the same as defined in section 16.81, subsection 5, paragraph  
12 "c", subparagraph (3), subparagraph division (a).

13     6. The division shall provide the department of revenue  
14 with a list of certified taxpayers and persons who have been  
15 decertified due to lease termination by January 31. The list  
16 shall include the estimated amount of the tax credit and the  
17 type of agreement.

18     7. The amount of the tax credit claimed shall not exceed  
19 fifty thousand dollars in any tax year.

20     8. The amount of the tax credit shall be reduced by the  
21 percent ownership interest of the qualifying beginning farmer  
22 in the agricultural asset.

23     9. A tax credit in excess of the eligible taxpayer's tax  
24 liability for the tax year may be credited to the tax liability  
25 for the following ten tax years or until depleted, whichever is  
26 earlier. A tax credit shall not be carried back to a tax year  
27 prior to the tax year in which the eligible taxpayer redeems  
28 the tax credit.

29     10. A tax credit shall not be transferable to any other  
30 person other than the taxpayer's estate.

31     11. If an agreement is terminated by the eligible taxpayer,  
32 all of the following shall apply:

33     a. Any properly claimed tax credit for income received  
34 pursuant to an agreement shall be allowed, but no additional  
35 tax credits may be claimed in future tax years under the

1 program. The eligible taxpayer may apply for and be issued  
2 another beginning farmer tax credit certificate under a new  
3 agreement for the same agricultural assets as provided in this  
4 section.

5 *b.* If the agricultural development board determines  
6 that the eligible taxpayer is at fault for the termination,  
7 the beginning farmer tax credit that had been allowed for  
8 that tax year shall be disallowed and the amount shall be  
9 considered a tax payment due. If an eligible taxpayer does not  
10 immediately notify the agricultural development division of the  
11 termination, the eligible taxpayer shall be conclusively deemed  
12 at fault for the termination.

13 **Sec. 13. NEW SECTION. 16.82A Beginning farmer tax credit**  
14 **eligibility certification — amount and availability.**

15 1. The estimated amount of beginning farmer tax credits  
16 that may be approved by the agricultural development board  
17 under the beginning farmer tax credit program shall not in the  
18 aggregate exceed a limit of twelve million dollars in each tax  
19 year. The estimated amount of the approved tax credits shall  
20 be determined by the board after reviewing applications as  
21 provided in section 16.81 and arriving at estimated amounts for  
22 the approved applications aggregated for purposes of meeting  
23 the program limits.

24 2. The authority shall issue the certificate to an eligible  
25 taxpayer for the length of the agreement, including until all  
26 income is realized by the eligible taxpayer from the agreement  
27 but not later than December 15 in the year that the board  
28 receives the application under section 16.81.

29 3. The eligibility certification shall be valid for the  
30 estate of the eligible taxpayer.

31 **Sec. 14. NEW SECTION. 422.11E Beginning farmer tax credit**  
32 **program.**

33 The taxes imposed under this division, less the credits  
34 allowed under section 422.12, shall be reduced by a beginning  
35 farmer tax credit as allowed under chapter 16, subchapter VIII,

1 part 5, subpart B.

2 Sec. 15. Section 422.33, subsection 21, Code 2019, is  
3 amended to read as follows:

4 21. The taxes imposed under this division shall be reduced  
5 by ~~an agricultural assets transfer~~ a beginning farmer tax  
6 credit as allowed under ~~section 16.80~~ chapter 16, subchapter  
7 VIII, part 5, subpart B.

8 Sec. 16. REPEAL. Sections 16.80 and 422.11M, Code 2019,  
9 are repealed.

10 Sec. 17. APPLICABILITY OF PRIOR TAX CREDITS — APPROVED  
11 APPLICATIONS AND CERTIFICATES.

12 1. Notwithstanding any provision of this Act to the  
13 contrary, on or after the effective date of this Act any  
14 agricultural asset transfer tax credit application approved  
15 under section 16.80 as that section existed on or before  
16 December 31, 2018, for which tax credit certificates have not  
17 been issued shall be approved for the beginning farmer tax  
18 credit program as provided in this Act. The Iowa finance  
19 authority shall issue an eligibility certification for the  
20 remainder of the agricultural lease term as if the taxpayer  
21 and beginning farmer had applied for the beginning farmer tax  
22 credit. The taxpayer shall be allowed to claim a beginning  
23 farmer tax credit in the same manner as an eligible taxpayer  
24 may claim a beginning farmer tax credit as provided in this  
25 Act.

26 2. Any application which was submitted for the agricultural  
27 assets transfer tax credit pursuant to section 16.80 as  
28 that section existed on December 31, 2018, for the tax year  
29 beginning January 1, 2019, shall be deemed to be a new pending  
30 application for the beginning farmer tax credit as enacted in  
31 this Act. The date the new application was received shall be  
32 deemed to be the same date that the pending application for the  
33 agricultural asset transfer tax credit was received.

34 Sec. 18. APPLICABILITY OF PRIOR TAX CREDITS — CONTINUANCE  
35 OF CARRYOVER PROVISIONS. For any tax year commencing in

1 calendar years 2014 through 2018, a tax credit that could  
2 have been first issued, awarded, or allowed and claimed under  
3 sections 16.75 through 16.82 as those sections existed on  
4 December 31, 2017, or under section 16.80 as that section  
5 existed on December 31, 2018, may be credited to the tax  
6 liability of that taxpayer for ten tax years following the tax  
7 year for which the eligible taxpayer could have first claimed  
8 the tax credit, or until depleted, whichever is earlier.

9       Sec. 19. EFFECTIVE DATE. This Act, being deemed of  
10 immediate importance, takes effect upon enactment.

11       Sec. 20. RETROACTIVE APPLICABILITY. This Act applies  
12 retroactively to January 1, 2019, for tax years beginning on  
13 or after that date.

14                                   EXPLANATION

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

17       TAXPAYERS AND FARMERS QUALIFYING TO PARTICIPATE IN THE  
18 BEGINNING FARMER TAX PROGRAM. This bill creates a beginning  
19 farmer tax credit program which replaces the agricultural  
20 assets transfer tax credit under the jurisdiction of the Iowa  
21 finance authority (IFA). Under the program, an eligible  
22 taxpayer (taxpayer) who holds agricultural assets (agricultural  
23 land, depreciable agricultural property, crops, or livestock)  
24 and who assists a qualified beginning farmer (farmer) acquire  
25 agricultural assets by a form of specified legal arrangement  
26 is entitled to claim a tax credit against the taxpayer's  
27 individual or corporate income tax liability. Specifically,  
28 the taxpayer must be eligible to hold agricultural land  
29 generally under Iowa's corporate farming law (e.g., as an  
30 individual, partnership, family farm corporation, or family  
31 farm limited liability company). The taxpayer must not have  
32 been at fault for terminating a prior agreement in which the  
33 taxpayer was able to claim a tax credit. The taxpayer must  
34 enter into an agricultural lease agreement (agreement) with  
35 the farmer who must be an individual, partnership, family farm

1 corporation, or family farm limited liability company. In  
2 addition, the farmer must be a resident of this state; have  
3 sufficient education, training, or experience in farming;  
4 have access to adequate working capital and production items;  
5 and not own more than a 10 percent ownership interest in an  
6 agricultural asset included in the agreement.

7 BEGINNING FARMER TAX CREDIT. The tax credit is calculated  
8 based on the type of rent payment arrangement agreed to  
9 by the parties, which is either on a cash basis in which a  
10 fixed payment is made or a commodity share basis in which the  
11 taxpayer takes a percentage of the crop or livestock produced.  
12 The tax credit also takes into account special risk-sharing  
13 arrangements in which the parties agree to adjust the rent  
14 amount based on some future happening (e.g., crop yield). For  
15 an agreement which includes a rent payable on a cash basis,  
16 the tax credit amount equals 5 percent of the gross amount  
17 paid to the taxpayer under the agreement. For an agreement  
18 which includes rent payable on a commodity share basis, the  
19 tax credit amount equals 15 percent of the amount paid to  
20 the eligible taxpayer from crops or livestock sold under the  
21 agreement. In the case of a flexible arrangement in which  
22 some risk is shared between the parties, the tax credit amount  
23 equals 15 percent of the amount paid to the taxpayer as a  
24 percentage of the gross value of the commodity. A tax credit  
25 cannot exceed \$50,000 in any tax year.

26 APPLICATIONS AND CERTIFICATES. The board is required to  
27 review and approve applications for the tax credit. As part  
28 of this process the division must calculate the amount of the  
29 tax credit that may be awarded to that applicant. The division  
30 must approve all applications on a first-come, first-served  
31 basis and issue tax credit certificates to approved taxpayers.  
32 IFA is allowed to issue up to \$12 million in tax credit  
33 certificates each tax year, an increase from \$6 million under  
34 the agricultural assets transfer tax credit.

35 APPLICABILITY OF PRIOR TAX CREDITS — APPROVED APPLICATIONS



1 AND CERTIFICATIONS. The bill provides that any approved  
2 application for the agricultural asset transfer tax credit is  
3 deemed an approved application under the beginning farmer tax  
4 credit program.

5 APPLICABILITY OF PRIOR TAX CREDITS — CONTINUANCE OF  
6 CARRYOVER PROVISIONS. The bill allows a taxpayer who claimed  
7 a tax credit under the former version of the beginning farmer  
8 tax credit (the agricultural assets transfer tax credit and an  
9 associated, now repealed custom farming contract tax credit)  
10 may continue to carry over the respective tax credits for the  
11 remaining 10 years or the depletion of the tax credit.

12 BACKGROUND. The agricultural assets transfer tax credit  
13 was first established in 2006 (2006 Iowa Acts, chapter 1161)  
14 and has been subsequently amended. Another form of a tax  
15 credit assisting beginning farmers, referred to as the custom  
16 farming contract tax credit, was established in 2013 (2013 Iowa  
17 Acts, chapter 125). Both tax credits were under the beginning  
18 farmer tax credit program and administered by the agricultural  
19 development board (board) acting as the agricultural  
20 development authority and subject to a limit of \$12 million.  
21 The program was transferred to IFA (2013 Iowa Acts, chapter  
22 100, and 2014 Iowa Acts, chapter 1080). Amendments to the  
23 agricultural assets transfer tax credit and the custom farming  
24 contract tax credit were repealed on December 31, 2017 (2013  
25 Iowa Acts, chapter 125), except for a provision which extended  
26 the tax credit carryover from 5 to 10 years. The funding limit  
27 was restored to its present \$6 million limit.

28 EFFECTIVE AND RETROACTIVE APPLICABILITY. The bill takes  
29 effect upon enactment and applies retroactively to January 1,  
30 2019, to tax years beginning on or after that date.