

**House File 768 - Introduced**

HOUSE FILE 768

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 647)

(SUCCESSOR TO HSB 173)

**A BILL FOR**

1 An Act relating to agricultural development, by providing for  
2 the Iowa finance authority, a beginning farmer tax credit  
3 program, fees, and including effective date and retroactive  
4 applicability provisions.

5 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 16.2, subsection 1, unnumbered paragraph 1,  
7 Code 2019, is amended to read as follows:

8 An Iowa finance authority board of directors is created. The  
9 powers of the authority are vested in and shall be exercised  
10 by the board. The authority includes nine members appointed  
11 by the governor subject to confirmation by the senate. The  
12 authority also includes one ex officio voting member who must  
13 be designated by the agricultural development board created in  
14 section 16.2C and be a member of that board.

15 Sec. 3. Section 16.2, subsections 2 and 3, Code 2019, are  
16 amended to read as follows:

17 2. ~~Members~~ The members of the authority ~~shall be~~ appointed  
18 by the governor shall serve for staggered terms of six years  
19 beginning and ending as provided in ~~section 69.19~~. A person  
20 appointed by the governor to fill a vacancy shall serve only  
21 for the unexpired portion of the term. A member is eligible  
22 for reappointment. The ex officio voting member designated by  
23 the agricultural development board shall serve at the pleasure  
24 of that board. A member of the authority may be removed from  
25 office by the governor for misfeasance, malfeasance, or willful  
26 neglect of duty or other just cause, after notice and hearing,  
27 unless the notice and hearing is expressly waived in writing.

28 3. ~~Five~~ Six members of the authority constitute a quorum and  
29 the affirmative vote of a majority of the ~~appointed~~ members is  
30 necessary for any substantive action taken by the authority.  
31 The majority shall not include any member who has a conflict of  
32 interest and a statement by a member of a conflict of interest  
33 shall be conclusive for this purpose. A vacancy in the  
34 membership does not impair the right of a quorum to exercise  
35 all rights and perform all duties of the authority.

1     Sec. 4. Section 16.2B, subsection 3, paragraph b, Code 2019,  
2 is amended to read as follows:

3     ~~b. Obtain agricultural assets transfer Claim beginning~~  
4 farmer tax credits, including tax credit certificates issued  
5 pursuant to subchapter VIII, part 5, subpart B.

6     Sec. 5. Section 16.58, subsection 6, Code 2019, is amended  
7 to read as follows:

8     6. *“Beginning farmer”* means an individual, partnership,  
9 family farm corporation, or family farm limited liability  
10 company, ~~with a low or moderate net worth~~ that engages  
11 in farming or wishes to engage in farming and meets the  
12 eligibility requirements of the applicable program as provided  
13 in this subchapter.

14     Sec. 6. Section 16.59, subsection 4, Code 2019, is amended  
15 to read as follows:

16     4. For a family farm limited liability company, an aggregate  
17 net worth of all members, including each member’s ownership  
18 interest in the family farm limited liability company, and  
19 each member’s spouse and minor children of not greater than  
20 twice the low or moderate net worth. However, the aggregate  
21 net worth of each member and that member’s spouse and minor  
22 children shall not exceed the low or moderate net worth.

23     Sec. 7. Section 16.75, subsection 3, Code 2019, is amended  
24 by adding the following new paragraph:

25     NEW PARAGRAPH. *h.* The beginning farmer has a low or  
26 moderate net worth.

27     Sec. 8. NEW SECTION. 16.77 **Definitions.**

28     As used in this subpart B, unless the context otherwise  
29 requires:

30     1. *“Agricultural development board”* or *“board”* means the  
31 agricultural development board created in section 16.2C.

32     2. *“Agricultural lease agreement”* or *“agreement”* means an  
33 agreement for the transfer of agricultural assets, that must at  
34 least include a lease of agricultural land, from an eligible  
35 taxpayer to a qualified beginning farmer as provided in section

1 16.79A.

2 3. "*Department*" means the department of revenue.

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

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

8 6. "*Qualified beginning farmer*" means a beginning farmer who  
9 meets the requirements to participate in a beginning farmer tax  
10 credit program as provided in section 16.79.

11 7. "*Tax credit*" means the beginning farmer tax credit  
12 allowed under section 16.82.

13 **Sec. 9. NEW SECTION. 16.78 Beginning farmer tax credit**  
14 **program — establishment and administration.**

15 1. A beginning farmer tax credit program is established  
16 under the control of the authority and the department.

17 2. The authority and the department shall cooperate in  
18 administering the program. The authority shall have control  
19 over and responsibility for administering provisions of the  
20 program under sections 16.79, 16.79A, 16.81, and 16.82A related  
21 to program eligibility criteria, the approval of applications  
22 and agreements, tax credit amounts, the issuance of eligibility  
23 certifications, and the issuance of tax credit certificates.  
24 The department shall have control over and responsibility  
25 for administering provisions of the program related to tax  
26 credit calculations, claims, allowances, and the filing of  
27 tax credit certificates under section 16.82. The department  
28 shall have all rulemaking powers necessary to administer its  
29 responsibilities under this subpart as it does under chapter  
30 422.

31 3. To every extent practicable, the authority shall  
32 administer the program in a manner that encourages  
33 participation by eligible taxpayers and qualifying beginning  
34 farmers for the primary purposes of providing beginning farmers  
35 access to farmland and enhancing the stability of the beginning

1 farmer's farming business.

2 4. The authority and the department shall each adopt  
3 rules in accordance with chapter 17A as necessary for the  
4 administration of their respective responsibilities under this  
5 subpart. The eligibility requirements for taxpayers and the  
6 qualifications for beginning farmers as provided in the rules  
7 shall not be more stringent than provided in this subpart.

8 5. The authority and the department shall each provide for  
9 the preparation or revision and publication or distribution of  
10 forms necessary to administer their responsibilities under this  
11 subpart.

12 Sec. 10. NEW SECTION. 16.79 **Beginning farmer tax credit**  
13 **program — eligibility criteria.**

14 1. A taxpayer is eligible to participate in the beginning  
15 farmer tax credit program if the taxpayer meets all of the  
16 following requirements:

17 a. The taxpayer is a person who may acquire or otherwise  
18 obtain or lease agricultural land in this state pursuant to  
19 chapter 9H or 9I. However, the taxpayer must not be a person  
20 who may acquire or otherwise obtain or lease agricultural  
21 land exclusively because of an exception provided in one of  
22 those chapters or in a provision of another chapter of this  
23 Code including but not limited to chapter 10, 10D, or 501, or  
24 section 15E.207.

25 b. The taxpayer has entered into an agricultural lease  
26 agreement with a qualified beginning farmer to lease  
27 agricultural land as provided in section 16.79A.

28 c. The taxpayer has not been at fault for terminating a  
29 prior agreement under the program or another agreement in which  
30 the taxpayer was allowed to claim a tax credit under section  
31 175.37 as it existed prior to January 1, 2015, or section 16.80  
32 as it existed prior to January 1, 2018.

33 d. If the agreement includes the lease of a confinement  
34 feeding operation structure as defined in section 459.102, the  
35 taxpayer is not a party to a pending administrative or judicial

1 action, including a contested case proceeding under chapter  
2 17A, relating to an alleged violation involving an animal  
3 feeding operation as regulated by the department of natural  
4 resources, regardless of whether the pending action is brought  
5 by the department or the attorney general.

6 e. The taxpayer is not classified as a habitual violator for  
7 a violation of state law involving an animal feeding operation  
8 as regulated by the department of natural resources under  
9 chapter 459.

10 2. A beginning farmer is a qualified beginning farmer  
11 eligible to participate in the program by meeting all of the  
12 following criteria:

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

19 b. Has sufficient education, training, or experience in  
20 farming. If the beginning farmer is a partnership, at least  
21 one partner who is not a minor must have sufficient education,  
22 training, or experience in farming. If the beginning farmer is  
23 a family farm corporation, at least one shareholder who is not  
24 a minor must have sufficient education, training, or experience  
25 in farming. If the beginning farmer is a family farm limited  
26 liability company, at least one member who is not a minor must  
27 have sufficient education, training, or experience in farming.  
28 The individual who is the partner, shareholder, or member  
29 meeting the requirements of this paragraph shall also meet the  
30 criteria described in paragraph "e". The eligible taxpayer  
31 claiming the beginning farmer tax credit shall not be a partner  
32 of a partnership, shareholder of a family farm corporation, or  
33 member of a family farm limited liability company leasing the  
34 agricultural asset.

35 c. Has access to adequate working capital and production

1 items.

2 *d.* Will materially and substantially participate in  
3 farming. If the beginning farmer is a partnership, family  
4 farm corporation, or family farm limited liability company,  
5 at least one of the partners, shareholders, or members who is  
6 not a minor must materially and substantially participate in  
7 farming. The individual who is the partner, shareholder, or  
8 member meeting the requirements of this paragraph shall also  
9 meet the criteria described in paragraph "e".

10 *e.* Has owned and operated a farming business for ten years  
11 or less at the time of the first application for participation  
12 in the program. The years of owning and operating a farming  
13 business shall be based on the number of years a beginning  
14 farmer has filed a schedule F as part of an annual form 1040  
15 or 1041 with the United States internal revenue service, or  
16 has been an owner in a partnership, limited liability company,  
17 or corporation that filed a form 1065, 1120S, or 1120 return  
18 with the United States internal revenue service that included a  
19 schedule F or that indicated by the principal business activity  
20 code that the entity is engaged in a farming enterprise.  
21 However, a schedule F or such a federal 1065, 1120S, or 1120  
22 return filed at any time for any tax year prior to the tax  
23 year in which the beginning farmer attained twenty-six years  
24 of age shall not be considered for this purpose. Time spent  
25 as an employee in another person's farm business shall also be  
26 excluded from the ten-year limitation.

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

29 **Sec. 11. NEW SECTION. 16.79A Agricultural lease agreement.**

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

35 2. The agreement must include the lease of agricultural

1 land 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 3. a. The agreement must include provisions which describe  
5 the consideration paid for the agreement in a manner that  
6 allows the authority to calculate the value of the lease in  
7 order to determine the tax credit amount as provided in section  
8 16.82.

9 b. The agreement must be in writing.

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

14 d. The agreement shall not include a lease or rental of  
15 equipment intended as a security.

16 e. The agreement cannot be assigned and the agricultural  
17 land subject to the agreement shall not be subleased.

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

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

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

30 b. A party has changed their name.

31 c. The owner of an agricultural asset is changed to the  
32 owner's estate or trust upon the eligible taxpayer's death.

33 5. An eligible taxpayer or qualified beginning farmer may  
34 terminate an agreement as provided in the agreement or by  
35 law. The eligible taxpayer must notify the authority of the

1 termination within thirty days of the date of termination.

2 Sec. 12. NEW SECTION. 16.81 **Beginning farmer tax credit**  
3 **— application.**

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

8 2. *a.* The authority shall impose, assess, and collect  
9 application fees on an interim basis until December 31, 2021.  
10 The amount of an application fee shall not be more than the  
11 following:

12 (1) For an application that includes an agreement for the  
13 lease of one hundred acres or less of agricultural land, a fee  
14 of three hundred dollars.

15 (2) For an application that includes an agreement for the  
16 lease of more than one hundred acres, but not more than two  
17 hundred fifty acres of agricultural land, a fee of four hundred  
18 dollars.

19 (3) For an application that includes an agreement for the  
20 lease of more than two hundred fifty acres of agricultural  
21 land, a fee of five hundred dollars.

22 *b.* Any amount of fees collected by the authority under this  
23 subsection shall be considered repayment receipts as defined  
24 in section 8.2.

25 *c.* This subsection is repealed on January 1, 2022.

26 3. *a.* The authority shall impose, assess, and collect  
27 application fees and shall adopt rules as necessary to  
28 administer this subsection, including by providing for the rate  
29 of those fees.

30 *b.* The authority may establish different rates based on  
31 separate categories of applications or agricultural lease  
32 agreements as determined relevant by the authority.

33 *c.* The authority shall calculate the rates of the  
34 application fees to be effective for each successive  
35 twelve-month period. The total amount of application fees

1 collected by the authority for that period shall not be more  
2 than the authority's estimate of the total amount of revenues  
3 necessary to administer the provisions of this subpart based  
4 on the expected revenue to be collected from the application  
5 fees and the expected costs to be incurred by the authority  
6 in administering the provisions of this subpart during that  
7 period. The authority may adjust the rates throughout that  
8 period as the authority determines necessary to comply with  
9 this paragraph.

10 *d.* The amount of application fees collected by the authority  
11 under this subsection shall be considered repayment receipts as  
12 defined in section 8.2.

13 *e.* (1) The rules described in this subsection shall first  
14 take effect immediately after the repeal of subsection 2.

15 (2) This paragraph "e" is repealed immediately after the  
16 rules described in this subsection take effect.

17 4. *a.* A qualified beginning farmer shall not participate in  
18 the beginning farmer tax credit program for more than a total  
19 of ten tax years.

20 *b.* Notwithstanding paragraph "a", a qualified beginning  
21 farmer may participate in the program for the term of a renewed  
22 agreement, entered into by the eligible taxpayer and qualified  
23 beginning farmer under section 16.79A, for a total of not more  
24 than five additional tax years, if the qualified beginning  
25 farmer entered into the renewed agreement prior to the date  
26 that the current agreement would expire and could not otherwise  
27 be renewed under that paragraph.

28 5. The agricultural development board shall review and  
29 recommend approval of an application for a tax credit as  
30 provided by rules adopted by the authority. The application  
31 must include a copy of the agricultural lease agreement. The  
32 authority may require that the parties to an agreement provide  
33 additional information as determined relevant by the authority.  
34 The board shall review an application which includes the  
35 renewal of an agreement to determine that the parties to the

1 renewed agreement meet the same qualifications as required for  
2 an original application.

3 6. The authority shall approve all beginning farmer tax  
4 credit applications that meet the requirements of this subpart  
5 on a first-come, first-served basis. However, an application  
6 that includes a renewed agreement as provided in section  
7 16.79A and which is submitted to the authority during the  
8 period when the lease being renewed is in effect shall be  
9 approved on a first-come, first-served basis, prior to all  
10 other applications. The authority shall approve an application  
11 regardless of whether the eligible taxpayer has previously  
12 been allowed a tax credit under this section, section 175.37  
13 as it existed prior to January 1, 2015, or section 16.80 as it  
14 existed prior to January 1, 2018.

15 7. After the authority has approved an application, all of  
16 the following apply:

17 a. The authority shall issue a beginning farmer tax credit  
18 eligibility certification to an eligible taxpayer as provided  
19 in section 16.82A.

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

22 8. Any financial, contractual, or legal authorization  
23 records provided to the authority shall be kept confidential  
24 and are not subject to chapter 22.

25 Sec. 13. NEW SECTION. 16.82 **Beginning farmer tax credit**  
26 **— allowance.**

27 1. A beginning farmer tax credit is authorized under the  
28 beginning farmer tax credit program as provided in section  
29 16.78. The beginning farmer tax credit is allowed against  
30 the taxes imposed in chapter 422, division II, as provided in  
31 section 422.11E, and in chapter 422, division III, as provided  
32 in section 422.33, subsection 21, to facilitate the transfer of  
33 agricultural assets from an eligible taxpayer to a qualifying  
34 beginning farmer participating in the program.

35 2. An individual may claim a beginning farmer tax credit

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

7 3. Subject to the limitations described in subsections 5,  
8 6, and 7, the authority shall determine the amount of the tax  
9 credit under an agreement using the following methods:

10 a. In the case of an agreement on a fixed basis, in which  
11 an eligible taxpayer receives a fixed cash rent payment, the  
12 amount of the tax credit equals five percent of the amount of  
13 the fixed cash rent payment for each year.

14 b. In the case of an agreement on a commodity share basis,  
15 in which an eligible taxpayer receives as a rent payment a  
16 percentage of the commodity produced, the amount of the tax  
17 credit shall equal fifteen percent of the gross amount that  
18 the eligible taxpayer would receive as a rent payment from  
19 the sale of the eligible taxpayer's share of the crop in each  
20 harvest year. The amount of the tax credit shall be based on  
21 an equation established by rule adopted by the authority which  
22 shall use data compiled by the United States department of  
23 agriculture, which shall include all of the following factors:

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

28 (2) The per bushel state price established for the same  
29 type of grain harvested as described in subparagraph (1).  
30 Price information shall be averaged from the past five years  
31 excluding the years of the highest and lowest per bushel state  
32 price.

33 c. In the case of an agreement made on a flexible basis in  
34 which an eligible taxpayer receives a rent payment consisting  
35 of a fixed cash payment and an amount subject to adjustment

1 according to a risk-sharing arrangement, or receives a rent  
2 payment consisting of an amount subject to adjustment according  
3 to a risk-sharing arrangement, the amount of the tax credit  
4 equals the sum of the following amounts:

5 (1) To the extent that a portion of the amount of the  
6 rent payment is calculated on a fixed basis as described in  
7 paragraph "a", that portion of the tax credit equals five  
8 percent of the fixed cash payment in the same manner as  
9 provided in paragraph "a".

10 (2) To the extent that a portion of the amount of the rent  
11 payment is calculated on a commodity share basis as described  
12 in paragraph "b", that portion of the tax credit equals fifteen  
13 percent of the amount that the eligible taxpayer would receive  
14 from the sale of the eligible taxpayer's share of the commodity  
15 in the same manner as provided in paragraph "b".

16 (3) (a) To the extent that the amount of the rent payment  
17 may be adjusted after taking into account all risk-sharing  
18 factors provided in the agreement, that portion of the tax  
19 credit equals fifteen percent of the highest adjusted amount  
20 that the eligible taxpayer could receive in excess of the  
21 amounts calculated in subparagraphs (1) and (2) based on an  
22 equation adopted by rule by the authority.

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

29 (c) The authority shall adopt rules establishing criteria  
30 for commonly used risk-sharing factors and adjustment limits.

31 4. The authority shall provide the department of revenue  
32 with a list of certified eligible taxpayers and persons who  
33 have been decertified due to lease termination by January 31.  
34 The list shall include the estimated amount of the tax credit  
35 and the type of agreement.

1 5. The amount of the tax credit claimed shall not exceed  
2 fifty thousand dollars in any tax year.

3 6. The amount of the tax credit shall be reduced by the  
4 percent ownership interest of the qualifying beginning farmer  
5 in the agricultural asset.

6 7. A tax credit in excess of the eligible taxpayer's  
7 tax liability for the tax year is not refundable but may be  
8 credited to the tax liability for the following ten tax years  
9 or until depleted, whichever is earlier. A tax credit shall  
10 not be carried back to a tax year prior to the tax year in which  
11 the eligible taxpayer redeems the tax credit.

12 8. A tax credit shall not be transferable to any other  
13 person other than the taxpayer's estate or trust upon the  
14 eligible taxpayer's death.

15 9. If an agreement is terminated by the eligible taxpayer,  
16 all of the following shall apply:

17 a. Any properly claimed tax credit for income received  
18 pursuant to an agreement shall be allowed, but no additional  
19 tax credits may be claimed in future tax years under the  
20 program. The eligible taxpayer may apply for and be issued  
21 another beginning farmer tax credit certificate under a new  
22 agreement for the same agricultural assets as provided in this  
23 section.

24 b. If the authority determines that the eligible taxpayer is  
25 at fault for the termination, the beginning farmer tax credit  
26 that had been allowed for that tax year shall be disallowed  
27 and the amount shall be considered a tax payment due. If an  
28 eligible taxpayer does not immediately notify the authority of  
29 the termination, the eligible taxpayer shall be conclusively  
30 deemed at fault for the termination.

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

33 1. The amount of beginning farmer tax credits that may be  
34 approved by the authority under the beginning farmer tax credit  
35 program shall not in the aggregate exceed a limit of twelve

1 million dollars in each tax year. The twelve million dollar  
2 limitation shall be reduced by the total amount of the tax  
3 credit that may be claimed by each eligible taxpayer for the  
4 entire period of the agricultural lease agreement beginning in  
5 the tax year when that eligible taxpayer is first allowed to  
6 claim the tax credit. The amount of the approved tax credits  
7 shall be determined by the authority after the agricultural  
8 development board reviews applications as provided in section  
9 16.81 and the authority determines tax credit amounts for the  
10 approved applications as provided in section 16.82, aggregated  
11 for purposes of meeting the program limits.

12 2. a. The authority shall issue a tax credit certificate to  
13 an eligible taxpayer not later than December 15 of each year  
14 until all income is realized by the eligible taxpayer from the  
15 agreement.

16 b. A tax credit certificate, unless rescinded by the  
17 authority, shall be accepted by the department as payment for  
18 taxes pursuant to chapter 422, divisions II and III, subject  
19 to any conditions or restrictions placed by the authority upon  
20 the face of the tax credit certificate and subject to the  
21 limitations of the program.

22 3. The eligibility certification shall be valid for the  
23 estate or trust of the eligible taxpayer upon the eligible  
24 taxpayer's death.

25 Sec. 15. NEW SECTION. 422.11E Beginning farmer tax credit  
26 program.

27 The taxes imposed under this division, less the credits  
28 allowed under section 422.12, shall be reduced by a beginning  
29 farmer tax credit as allowed under chapter 16, subchapter VIII,  
30 part 5, subpart B.

31 Sec. 16. Section 422.33, subsection 21, Code 2019, is  
32 amended to read as follows:

33 21. The taxes imposed under this division shall be reduced  
34 by ~~an agricultural assets transfer~~ a beginning farmer tax  
35 credit as allowed under ~~section 16.80~~ chapter 16, subchapter

1 VIII, part 5, subpart B.

2     Sec. 17. REPEAL. Sections 16.80 and 422.11M, Code 2019,  
3 are repealed.

4     Sec. 18. APPLICABILITY OF PRIOR TAX CREDITS — APPROVED  
5 APPLICATIONS AND CERTIFICATES.

6     1. Notwithstanding any provision of this Act to the  
7 contrary, on or after the effective date of this Act any  
8 agricultural asset transfer tax credit application approved  
9 under section 16.80 as that section existed on or before  
10 December 31, 2018, for which tax credit certificates could have  
11 been issued for a tax year beginning on or after January 1,  
12 2019, shall be approved for the beginning farmer tax credit  
13 program as provided in this Act and shall be eligible to  
14 receive tax credits for tax years beginning on or after January  
15 1, 2019, for the remainder of the agricultural lease term.  
16 The taxpayer shall be allowed to claim a beginning farmer tax  
17 credit in the same manner as an eligible taxpayer may claim a  
18 beginning farmer tax credit as provided in this Act.

19     2. Any application which was submitted for the agricultural  
20 assets transfer tax credit pursuant to section 16.80 as  
21 that section existed on December 31, 2018, for the tax year  
22 beginning January 1, 2019, shall be deemed to be a new pending  
23 application for the beginning farmer tax credit as enacted in  
24 this Act. The date the new application was received shall be  
25 deemed to be the same date that the pending application for  
26 the agricultural asset transfer tax credit was received. An  
27 application described in this subsection shall be reviewed and  
28 approved based on the requirements of the beginning farmer tax  
29 credit program as provided in this Act, including requirements  
30 relating to the eligibility of the taxpayer and qualifications  
31 of the beginning farmer under section 16.79 as enacted in this  
32 Act.

33     Sec. 19. APPLICABILITY OF PRIOR TAX CREDITS — CONTINUANCE  
34 OF CARRYOVER PROVISIONS. For any tax year commencing in  
35 calendar years 2014 through 2018, a tax credit that could



1 must be eligible to hold agricultural land generally under  
2 Iowa's corporate farming law (e.g., as an individual,  
3 partnership, family farm corporation, or family farm limited  
4 liability company). The taxpayer must not have been at fault  
5 for terminating a prior agreement in which the taxpayer was  
6 able to claim a tax credit. The taxpayer must enter into an  
7 agricultural lease agreement (agreement) with the farmer who  
8 must be an individual, partnership, family farm corporation, or  
9 family farm limited liability company. In addition, the farmer  
10 must be a resident of this state; have sufficient education,  
11 training, or experience in farming; have access to adequate  
12 working capital and production items; and not own more than a  
13 10 percent ownership interest in an agricultural asset included  
14 in the agreement.

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

34 APPLICATIONS AND CERTIFICATES. The agricultural development  
35 board is required to review and IFA is required to approve

1 applications for the tax credit. As part of this process,  
2 IFA must calculate the amount of the tax credit that may be  
3 awarded to that applicant. IFA must approve all applications  
4 on a first-come, first-served basis and issue tax credit  
5 certificates to approved taxpayers. One exception provides  
6 priority to applicants who are renewing existing leases.  
7 IFA is allowed to issue up to \$12 million in tax credit  
8 certificates each tax year, an increase from \$6 million under  
9 the agricultural assets transfer tax credit.

10       APPLICABILITY OF PRIOR TAX CREDITS — APPROVED APPLICATIONS  
11 AND CERTIFICATIONS. The bill provides that any approved  
12 application for the agricultural asset transfer tax credit is  
13 deemed an approved application under the beginning farmer tax  
14 credit program.

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

22       BACKGROUND. The agricultural assets transfer tax credit  
23 was first established in 2006 (2006 Iowa Acts, chapter 1161)  
24 and has been subsequently amended. Another form of a tax  
25 credit assisting beginning farmers, referred to as the custom  
26 farming contract tax credit, was established in 2013 (2013 Iowa  
27 Acts, chapter 125). Both tax credits were under the beginning  
28 farmer tax credit program and administered by the agricultural  
29 development board (board) acting as the agricultural  
30 development authority and subject to a limit of \$12 million.  
31 The program was transferred to IFA (2013 Iowa Acts, chapter  
32 100, and 2014 Iowa Acts, chapter 1080). Amendments to the  
33 agricultural assets transfer tax credit and the custom farming  
34 contract tax credit were repealed on December 31, 2017 (2013  
35 Iowa Acts, chapter 125), except for a provision which extended

H.F. 768

1 the tax credit carryover from 5 to 10 years. The funding limit  
2 was restored to its present \$6 million limit.

3 EFFECTIVE AND RETROACTIVE APPLICABILITY. The bill takes  
4 effect upon enactment and applies retroactively to January 1,  
5 2019, to tax years beginning on or after that date.