

Senate File 624 - Introduced

SENATE FILE 624

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 444)

(SUCCESSOR TO SSB 1181)

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 16.2, 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 16.59, subsection 4, Code 2019, is amended
7 to read as follows:

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

15 Sec. 6. 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 lease agreement*" or "*agreement*" means an
21 agreement for the transfer of agricultural assets, that must at
22 least include a lease of agricultural land, from an eligible
23 taxpayer to a qualified beginning farmer as provided in section
24 16.79A.

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

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

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

31 6. "*Qualified beginning farmer*" means a beginning farmer
32 as defined in section 16.58 who meets the requirements to
33 participate in a beginning farmer tax credit program as
34 provided in section 16.79.

35 7. "*Tax credit*" means the beginning farmer tax credit

1 allowed under section 16.82.

2 Sec. 7. NEW SECTION. 16.78 **Beginning farmer tax credit**
3 **program — establishment and administration.**

4 1. A beginning farmer tax credit program is established
5 under the control of the authority.

6 2. The authority and the department shall cooperate in
7 administering the program. The department shall have all
8 rulemaking powers necessary to administer its responsibilities
9 under this subpart as it does under chapter 422.

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

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

22 5. The authority shall provide for the preparation or
23 revision and publication or distribution of forms necessary to
24 administer their responsibilities under this subpart.

25 Sec. 8. NEW SECTION. 16.79 **Beginning farmer tax credit**
26 **program — eligibility criteria.**

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

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

1 Code including but not limited to chapter 10, 10D, or 501, or
2 section 15E.207.

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

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

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

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

23 *f.* The taxpayer is not a partner of a partnership,
24 shareholder of a family farm corporation, or member of a
25 family farm limited liability company that is the lessee of
26 an agricultural asset that is part of an agricultural lease
27 agreement.

28 2. A beginning farmer is a qualified beginning farmer
29 eligible to participate in the program by meeting all of the
30 following criteria:

31 *a.* Is a resident of the state. If the beginning farmer is a
32 partnership, all partners must be residents of the state. If a
33 beginning farmer is a family farm corporation, all shareholders
34 must be residents of the state. If the beginning farmer is
35 a family farm limited liability company, all members must be

1 residents of the state.

2 *b.* Has sufficient education, training, or experience in
3 farming. If the beginning farmer is a partnership, at least
4 one partner who is not a minor must have sufficient education,
5 training, or experience in farming. If the beginning farmer is
6 a family farm corporation, at least one shareholder who is not
7 a minor must have sufficient education, training, or experience
8 in farming. If the beginning farmer is a family farm limited
9 liability company, at least one member who is not a minor must
10 have sufficient education, training, or experience in farming.

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

13 *d.* Will materially and substantially participate in
14 farming. If the beginning farmer is a partnership, family farm
15 corporation, or family farm limited liability company, at least
16 one of the partners, shareholders, or members who is not a
17 minor must materially and substantially participate in farming.

18 *e.* Does not own more than a ten percent ownership interest
19 in an agricultural asset included in the agreement.

20 Sec. 9. NEW SECTION. **16.79A Agricultural lease agreement.**

21 1. A beginning farmer tax credit is allowed only for
22 agricultural assets that are subject to an agricultural lease
23 agreement entered into by an eligible taxpayer and a qualifying
24 beginning farmer participating in the beginning farmer tax
25 credit program established pursuant to section 16.78.

26 2. The agreement must include the lease of agricultural
27 land located in this state, including any improvements, and may
28 provide for the rental of agricultural equipment as defined in
29 section 322F.1.

30 3. *a.* The agreement must include provisions which describe
31 the consideration paid for the agreement in a manner that
32 allows the authority to calculate the value of the lease in
33 order to determine the tax credit amount as provided in section
34 16.82.

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

1 c. The agreement must be for at least two years, but not
2 more than five years. The agreement may be renewed by the
3 eligible taxpayer and qualified beginning farmer for a term of
4 at least two years, but not more than five years.

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

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

9 f. (1) The agricultural assets shall not be leased or
10 rented at a rate that is substantially higher than the market
11 rate for similar agricultural assets leased or rented within
12 the same community.

13 (2) As used in subparagraph (1), when referring to an
14 agricultural asset that is cropland, "*substantially higher*"
15 means not more than thirty percent above the average cash rent
16 paid for cropland rented in the same county according to the
17 most recent cash rent survey for cropland published by a unit
18 of Iowa state university of science and technology recognized
19 by the authority.

20 4. a. The agreement may be amended after the authority
21 approves an application and makes a tax credit award without
22 changing the eligibility status of the taxpayer, except as
23 provided in paragraph "b".

24 b. The underlying lease for agricultural land may only be
25 amended without submitting a new application if any of the
26 following apply:

27 (1) 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 (2) A party has changed their name.

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

33 c. If an amendment to an agreement changes the total amount
34 that will be paid to the eligible taxpayer under the agreement,
35 the eligible taxpayer shall notify the authority in a manner

1 and form prescribed by the authority within thirty days of the
2 date the amendment is executed by the parties.

3 (1) If the amendment will reduce the total amount paid to
4 the eligible taxpayer under the agreement, the authority shall
5 recalculate and reduce the eligible taxpayer's tax credit award
6 under section 16.82A.

7 (2) If the amendment will increase the total amount paid to
8 the eligible taxpayer under the agreement, the tax credit award
9 shall not be increased unless the eligible taxpayer submits an
10 amended application to the authority in the manner and form
11 prescribed by the authority and that meets the requirements of
12 section 16.81. If the amended application is approved under
13 section 16.81, the authority may increase the amount of the tax
14 credit award. The increased amount of the tax credit award
15 shall be subject to the aggregate award limitation in section
16 16.82A for the calendar year in which the increased award is
17 made.

18 (3) This paragraph "c" does not apply to an amendment to an
19 agreement that requires a new application under paragraph "b" in
20 order to be valid.

21 5. An eligible taxpayer or qualified beginning farmer may
22 terminate an agreement as provided in the agreement or by
23 law. The eligible taxpayer must notify the authority of the
24 termination within thirty days of the date of termination in
25 the manner and form prescribed by the authority.

26 Sec. 10. NEW SECTION. 16.81 **Beginning farmer tax credit**
27 **— application.**

28 1. The deadline for submitting an application to the
29 authority to claim a beginning farmer tax credit is August 1 of
30 each year. The application shall be for a period that is not
31 longer than the term of the lease.

32 2. a. The authority shall impose, assess, and collect
33 application fees on an interim basis until December 31, 2021.
34 The amount of an application fee shall not be more than the
35 following:

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

4 (2) For an application that includes an agreement for the
5 lease of more than one hundred acres, but not more than two
6 hundred fifty acres of agricultural land, a fee of four hundred
7 dollars.

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

11 (4) For an amendment to an agreement that is part of an
12 application that has been previously approved, a fee of one
13 hundred dollars.

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

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

18 3. *a.* The authority shall impose, assess, and collect
19 application fees and shall adopt rules as necessary to
20 administer this subsection, including by providing for the rate
21 of those fees.

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

25 *c.* The authority shall calculate the rates of the
26 application fees to be effective for each successive
27 twelve-month period. The total amount of application fees
28 collected by the authority for that period shall not be more
29 than the authority's estimate of the total amount of revenues
30 necessary to administer the provisions of this subpart based
31 on the expected revenue to be collected from the application
32 fees and the expected costs to be incurred by the authority
33 in administering the provisions of this subpart during that
34 period. The authority may adjust the rates throughout that
35 period as the authority determines necessary to comply with

1 this paragraph.

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

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

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

9 4. An eligible taxpayer shall not participate in the
10 beginning farmer tax credit program for more than ten years,
11 and shall not receive more than ten tax credit certificates
12 under the program.

13 5. The agricultural development board shall review and
14 recommend approval of an application for a tax credit as
15 provided by rules adopted by the authority. The application
16 must include a copy of the agricultural lease agreement. The
17 authority may require that the parties to an agreement provide
18 additional information as determined relevant by the authority.

19 6. The authority shall approve all beginning farmer tax
20 credit applications that meet the requirements of this subpart
21 and make tax credit awards on a first-come, first-served basis,
22 subject to the limitations in section 16.82A.

23 7. After the authority has approved an application and made
24 a tax credit award, all of the following apply:

25 *a.* The authority shall issue beginning farmer tax credit
26 certificates to an eligible taxpayer on an annual basis as
27 provided in section 16.82A.

28 *b.* An eligible taxpayer may claim the tax credit each tax
29 year as provided in section 16.82.

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

33 Sec. 11. NEW SECTION. 16.82 **Beginning farmer tax credit**
34 **— allowance.**

35 1. A beginning farmer tax credit is authorized under the

1 beginning farmer tax credit program as provided in section
2 16.78. The beginning farmer tax credit is allowed against
3 the taxes imposed in chapter 422, division II, as provided in
4 section 422.11E, and in chapter 422, division III, as provided
5 in section 422.33, subsection 21, to facilitate the transfer of
6 agricultural assets from an eligible taxpayer to a qualifying
7 beginning farmer participating in the program.

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

15 3. Subject to the limitations described in subsections 5,
16 6, and 7, the authority shall determine the amount of the tax
17 credit under an agreement using the following methods:

18 a. In the case of an agreement on a fixed basis, in which
19 an eligible taxpayer receives a fixed cash rent payment, the
20 amount of the tax credit equals five percent of the amount of
21 the fixed cash rent payment for each year.

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

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

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

6 c. In the case of an agreement made on a flexible basis in
7 which an eligible taxpayer receives a rent payment consisting
8 of a fixed cash payment and an amount subject to adjustment
9 according to a risk-sharing arrangement, or receives a rent
10 payment consisting of an amount subject to adjustment according
11 to a risk-sharing arrangement, the amount of the tax credit
12 equals the sum of the following amounts:

13 (1) To the extent that a portion of the amount of the
14 rent payment is calculated on a fixed basis as described in
15 paragraph "a", that portion of the tax credit equals five
16 percent of the fixed cash payment in the same manner as
17 provided in paragraph "a".

18 (2) To the extent that a portion of the amount of the rent
19 payment is calculated on a commodity share basis as described
20 in paragraph "b", that portion of the tax credit equals fifteen
21 percent of the amount that the eligible taxpayer would receive
22 from the sale of the eligible taxpayer's share of the commodity
23 in the same manner as provided in paragraph "b".

24 (3) (a) To the extent that the amount of the rent payment
25 may be adjusted after taking into account all risk-sharing
26 factors provided in the agreement, that portion of the tax
27 credit equals fifteen percent of the highest adjusted amount
28 that the eligible taxpayer could receive in excess of the
29 amounts calculated in subparagraphs (1) and (2) based on an
30 equation adopted by rule by the authority.

31 (b) As used in subparagraph division (a), "*risk-sharing*
32 *factor*" means an occurrence or lack of occurrence that may
33 affect the commodity's production or profitability as provided
34 in the agreement, and which may include but is not limited to
35 production costs, per acre crop yield, gross revenue, or market

1 price.

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

4 4. The authority shall provide the department with data, in
5 the format prescribed by the department, of eligible taxpayers
6 and persons who have been decertified due to lease termination
7 or other cause of ineligibility by January 31 of each year.
8 The data shall include the amount of the tax credit issued
9 for the most recent year and all expected future tax credits
10 under an agreement for each eligible taxpayer and the type of
11 agreement.

12 5. The amount of tax credits that may be awarded to an
13 eligible taxpayer for any one year under all agreements shall
14 not exceed fifty thousand dollars.

15 6. The amount of the tax credit shall be reduced by the
16 percent ownership interest of the qualifying beginning farmer
17 in the agricultural asset.

18 7. A tax credit in excess of the eligible taxpayer's
19 tax liability for the tax year is not refundable but may be
20 credited to the tax liability for the following ten tax years
21 or until depleted, whichever is earlier. A tax credit shall
22 not be carried back to a tax year prior to the tax year in which
23 the eligible taxpayer redeems the tax credit.

24 8. a. To claim a tax credit under this section, an eligible
25 taxpayer shall include one or more tax credit certificates with
26 the eligible taxpayer's tax return pursuant to rules adopted
27 by the department.

28 b. A tax credit shall not be transferable to any other
29 person other than the eligible taxpayer's estate or trust upon
30 the eligible taxpayer's death pursuant to rules adopted by the
31 department.

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

34 a. Any tax credit properly claimed by the eligible taxpayer
35 prior to the date of termination or for the year during which

1 the termination occurred shall be allowed except as provided
2 in paragraph "b", but no additional tax credits may be issued
3 or claimed under the program for that agreement. The eligible
4 taxpayer may apply for and be awarded another beginning farmer
5 tax credit under a new agreement for the same agricultural
6 assets as provided in this section.

7 *b.* If the authority determines that the eligible taxpayer is
8 at fault for the termination, any beginning farmer tax credit
9 that is claimed by the eligible taxpayer for the year during
10 which the termination occurred shall be disallowed and the
11 amount shall be considered a tax payment due. If an eligible
12 taxpayer does not notify the authority of the termination
13 within thirty days of the date of the termination in the manner
14 and form prescribed by the authority, the eligible taxpayer
15 shall be conclusively deemed at fault for the termination.

16 **Sec. 12. NEW SECTION. 16.82A Beginning farmer tax credit**
17 **awards — amount and availability.**

18 1. *a.* Upon approval of an application as provided in
19 section 16.81, the authority shall make a tax credit award
20 to the eligible taxpayer. The tax credit award shall equal
21 the sum of the tax credits calculated by the authority under
22 section 16.82 for all eligible years under the approved
23 agreement.

24 *b.* The authority shall notify the eligible taxpayer of the
25 tax credit award under the program. The notification shall
26 include the total tax credit award, the amount of tax credit
27 award that will be issued by way of a tax credit certificate
28 in each future year under the approved agreement, and a
29 statement that the eligible taxpayer has no right to receive
30 tax credit certificates and claim tax credits under the program
31 if all requirements of the agreement and the program are not
32 satisfied.

33 *c.* If after making a tax credit award the eligible taxpayer
34 or qualified beginning farmer no longer meets the requirements
35 of the agreement or the program, the authority make revoke a

1 tax credit award and may rescind a tax credit certificate.

2 2. The amount of beginning farmer tax credits that may be
3 awarded by the authority in any one calendar year under the
4 beginning farmer tax credit program shall not in the aggregate
5 exceed a limit of twelve million dollars. Tax credits shall
6 be awarded by the authority not later than December 15 of each
7 calendar year after the agricultural development board reviews
8 applications as provided in section 16.81 and the authority
9 determines tax credit amounts for the approved applications as
10 provided in section 16.82, aggregated for purposes of meeting
11 the annual program award limits.

12 3. a. The authority shall issue tax credit certificates
13 on an annual basis to eligible taxpayers who have received a
14 tax credit award. The tax credit certificate shall contain the
15 information required by the department.

16 b. The aggregate amount of tax credit certificates issued to
17 an eligible taxpayer shall not exceed the eligible taxpayer's
18 tax credit award.

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

25 Sec. 13. 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. 14. 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. 15. REPEAL. Sections 16.80 and 422.11M, Code 2019,
3 are repealed.

4 Sec. 16. APPLICABILITY OF PRIOR TAX CREDITS — APPROVED
5 APPLICATIONS AND CERTIFICATES.

6 1. Notwithstanding any provision of this Act to the
7 contrary, any agricultural asset transfer tax credit
8 application approved prior to the effective date of this Act
9 under section 16.80 as that section existed on or before
10 December 31, 2018, for a year prior to 2019 but for which tax
11 credit certificates could have been issued for a tax year
12 beginning on or after January 1, 2019, shall be governed by
13 section 16.80, Code 2019, and shall be eligible to receive tax
14 credit certificates for tax years beginning on or after January
15 1, 2019, for the remainder of the agricultural lease term as
16 provide by section 16.80, Code 2019. Tax credit certificates
17 approved and issued pursuant to this subsection are not
18 considered an award subject to the maximum tax credit award
19 limitation in section 16.82A, as enacted in this Act.

20 2. a. Any application which was submitted prior to the
21 effective date of this Act for the agricultural assets transfer
22 tax credit pursuant to section 16.80 as that section existed
23 on December 31, 2018, for the tax year beginning January 1,
24 2019, shall be governed by section 16.80, Code 2019, except as
25 provided in paragraph "b".

26 b. Any amount of tax credit certificate approved and issued
27 pursuant to this subsection shall not be subject to the maximum
28 tax credit issuance limitation in section 16.80, subsection
29 10, Code 2019, but shall instead be counted in the same manner
30 as an award for purposes of the twelve million dollar calendar
31 year award limitation in section 16.82A, subsection 2, as
32 enacted in this Act, and shall reduce, dollar-for-dollar, that
33 maximum calendar year award limitation for the calendar year
34 during which the tax credit certificate is issued.

35 Sec. 17. APPLICABILITY OF PRIOR TAX CREDITS — CONTINUANCE

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

10 Sec. 18. EFFECTIVE DATE. This Act, being deemed of
11 immediate importance, takes effect upon enactment.

12 Sec. 19. RETROACTIVE APPLICABILITY. This Act applies
13 retroactively to January 1, 2019, for tax years beginning on
14 or after that date.

15 EXPLANATION

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

18 IOWA FINANCE AUTHORITY. This bill amends provisions
19 in several Code chapters, including Code chapter 16, which
20 governs the Iowa finance authority (IFA). IFA is under the
21 jurisdiction of a board of directors. The Code chapter also
22 provides for several other boards, including the agricultural
23 development board, which oversees programs associated with
24 beginning farmers. The bill provides that the agricultural
25 development board is to designate one of its members to serve
26 on IFA's board of directors.

27 TAXPAYERS AND FARMERS QUALIFYING TO PARTICIPATE IN THE
28 BEGINNING FARMER TAX PROGRAM. The bill creates a beginning
29 farmer tax credit program, which replaces the agricultural
30 assets transfer tax credit, under IFA's jurisdiction.
31 Under the program, an eligible taxpayer (taxpayer) who
32 holds agricultural assets (agricultural land, depreciable
33 agricultural property, crops, or livestock) and who assists
34 a qualified beginning farmer (farmer) acquire agricultural
35 assets by a form of specified legal arrangement is entitled

1 to claim a tax credit against the taxpayer's individual or
2 corporate income tax liability. Specifically, the taxpayer
3 must be eligible to hold agricultural land generally under
4 Iowa's corporate farming law (e.g., as an individual,
5 partnership, family farm corporation, or family farm limited
6 liability company). The taxpayer must not have been at fault
7 for terminating a prior agreement in which the taxpayer was
8 able to claim a tax credit. The taxpayer must enter into an
9 agricultural lease agreement (agreement) with the farmer who
10 must be an individual, partnership, family farm corporation, or
11 family farm limited liability company. In addition, the farmer
12 must be a resident of this state; have sufficient education,
13 training, or experience in farming; have access to adequate
14 working capital and production items; must materially and
15 substantially participate in farming; and not own more than a
16 10 percent ownership interest in an agricultural asset included
17 in the agreement.

18 BEGINNING FARMER TAX CREDIT. The tax credit is calculated
19 based on the type of rent payment arrangement agreed to
20 by the parties, which is either on a cash basis in which a
21 fixed payment is made or a commodity share basis in which the
22 taxpayer takes a percentage of the crop or livestock produced.
23 The tax credit also takes into account special risk-sharing
24 arrangements in which the parties agree to adjust the rent
25 amount based on some future happening (e.g., crop yield). For
26 an agreement which includes a rent payable on a cash basis,
27 the tax credit amount equals 5 percent of the gross amount
28 paid to the taxpayer under the agreement. For an agreement
29 which includes rent payable on a commodity share basis, the
30 tax credit amount equals 15 percent of the amount paid to
31 the eligible taxpayer from crops or livestock sold under the
32 agreement. In the case of a flexible arrangement in which
33 some risk is shared between the parties, the tax credit amount
34 equals 15 percent of the amount paid to the taxpayer as a
35 percentage of the gross value of the commodity. A tax credit

1 cannot exceed \$50,000 in any tax year.

2 **APPLICATIONS AND CERTIFICATES.** The agricultural development
3 board is required to review and IFA is required to approve
4 applications for the tax credit. As part of this process,
5 IFA must calculate the amount of the tax credit that may be
6 awarded to that applicant. IFA must approve all applications
7 on a first-come, first-served basis and issue tax credit
8 certificates to approved taxpayers. IFA is allowed to issue
9 up to \$12 million in tax credit certificates each tax year, an
10 increase from \$6 million under the agricultural assets transfer
11 tax credit.

12 **APPLICABILITY OF PRIOR TAX CREDITS.** The bill provides for
13 cases in which the former version of the beginning farmer tax
14 credit (the agricultural transfer tax credit) may govern under
15 repealed Code section 16.80, and cases in which that tax credit
16 and the now repealed custom farming tax credit under repealed
17 Code section 16.81 may continue to be carried forward.

18 **BACKGROUND.** The agricultural assets transfer tax credit
19 was first established in 2006 (2006 Iowa Acts, chapter 1161)
20 and has been subsequently amended. Another form of a tax
21 credit assisting beginning farmers, referred to as the custom
22 farming contract tax credit, was established in 2013 (2013 Iowa
23 Acts, chapter 125). Both tax credits were under the beginning
24 farmer tax credit program and administered by the agricultural
25 development board (board) acting as the agricultural
26 development authority and subject to a limit of \$12 million.
27 The program was transferred to IFA (2013 Iowa Acts, chapter
28 100, and 2014 Iowa Acts, chapter 1080). Amendments to the
29 agricultural assets transfer tax credit and the custom farming
30 contract tax credit were repealed on December 31, 2017 (2013
31 Iowa Acts, chapter 125), except for a provision which extended
32 the tax credit carryover from 5 to 10 years. The funding limit
33 was restored to its present \$6 million limit.

34 **EFFECTIVE AND RETROACTIVE APPLICABILITY.** The bill takes
35 effect upon enactment and applies retroactively to January 1,

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1 2019, to tax years beginning on or after that date.