

**Senate File 360 - Introduced**

SENATE FILE 360  
BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO SSB 1144)

(COMPANION TO HF 484 BY  
COMMITTEE ON AGRICULTURE)

**A BILL FOR**

1 An Act relating to the beginning farmer tax credit program, by  
2 modifying participation and lease agreement requirements and  
3 tax credit amounts, and including effective date provisions.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 16.58, subsections 1, 2, and 3, Code  
2 2021, are amended to read as follows:

3 1. "*Agricultural assets*" means agricultural land,  
4 agricultural improvements, depreciable agricultural property,  
5 crops, or livestock.

6 2. "*Agricultural ~~improvements~~ improvement*" means any  
7 improvements, including buildings, structures, or fixtures  
8 suitable for use in farming, ~~which are~~ if located on any size  
9 parcel of agricultural land.

10 3. "*Agricultural land*" means land suitable for use in  
11 farming, any portion of which may include an agricultural  
12 improvement.

13 Sec. 2. Section 16.77, subsection 2, Code 2021, is amended  
14 to read as follows:

15 2. "*Agricultural lease agreement*" or "*agreement*" means an  
16 agreement for the transfer of agricultural assets, ~~that must at~~  
17 ~~least include a lease of agricultural land,~~ from an eligible  
18 taxpayer to a qualified beginning farmer as provided in section  
19 16.79A.

20 Sec. 3. Section 16.79A, subsection 1, Code 2021, is amended  
21 to read as follows:

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

27 b. The tax credit is allowed regardless of whether the  
28 principle agricultural asset is soil, pasture, or a building or  
29 other structure used in farming.

30 Sec. 4. Section 16.79A, subsection 2, Code 2021, is amended  
31 to read as follows:

32 2. The agreement must include the lease of agricultural  
33 land located in this state, ~~including any~~ or agricultural  
34 improvements located in this state, and may provide for the  
35 rental of agricultural equipment as defined in [section 322F.1](#).



1 the explanation's substance by the members of the general assembly.

2 GENERAL. This bill provides for the participation of an  
3 eligible taxpayer (taxpayer) and qualified beginning farmer  
4 (beginning farmer) in the beginning farmer tax credit program  
5 (program) (Code section 16.81(4)). Under the program, a tax  
6 credit is awarded to a taxpayer who transfers agricultural  
7 assets to a beginning farmer by agricultural lease agreement  
8 (agreement). The transferred agricultural assets include  
9 agricultural land and improvements, as well as depreciable  
10 agricultural property. The agreement must be approved by the  
11 Iowa finance authority (authority) (Code section 16.79A) who  
12 issues a tax credit certificate to the taxpayer on an annual  
13 basis for the period of the agreement (Code section 16.81).

14 LEASE OF AGRICULTURAL LAND WHICH INCLUDES IMPROVEMENTS  
15 (BUILDINGS). The bill provides that the agreement may provide  
16 for lease of any size parcel of agricultural land and an  
17 improvement such as a building (amended Code section 16.58(1),  
18 (2), and (3)). The principal agricultural asset transferred in  
19 the agreement may be agricultural land or a building or other  
20 structure used in farming (amended Code section 16.79A(1)).

21 PARTICIPATION IN THE PROGRAM — FROM 10 TO 15 YEARS.  
22 The bill increases from 10 to 15 the number of years that  
23 a taxpayer may participate in the program. (amended Code  
24 section 16.79A(3)). The extended years of participation  
25 apply retroactively to a taxpayer previously approved by the  
26 authority to participate in the program (amendment Code section  
27 16.82(5)).

28 PARTICIPATION IN THE PROGRAM — TAX CREDIT CERTIFICATES  
29 AND AWARDS. The bill provides that a taxpayer may claim  
30 multiple tax credits under the program (amended Code sections  
31 16.79A(3) and 16.81(6)) so long as each tax credit is based  
32 on an agreement approved by the authority (amended Code  
33 section 16.81(6)). It also provides that the current \$50,000  
34 limitation on tax credits that can be claimed by a taxpayer  
35 applies to each rather than all such agreements (amended Code

1 section 16.82(5)).

2 BACKGROUND. Generally, in order to qualify as a beginning  
3 farmer, a person must have a low or moderate net worth, be able  
4 to successfully engage in farming, and promise to materially  
5 participate in the farming operation (Code sections 16.58(6)  
6 and (10), and 16.79(2)). The amount of the tax credit depends  
7 upon the type of payment arrangement provided in the agreement,  
8 including a fixed amount (5 percent of cash rent payment) or  
9 some form or risk-sharing between the parties (15 percent of  
10 the market price of the commodity produced on the leasehold).  
11 A taxpayer may claim the tax credit in the applicable tax year  
12 up to the taxpayer's liability. Any amount of the unused tax  
13 credit may be applied to reduce the taxpayer's liability for  
14 each of the following 10 years until depleted, whichever comes  
15 first; and cannot be refunded (Code section 16.82(7)).

16 EFFECTIVE DATE. The bill takes effect on January 1, 2022.