

House File 2711 - Introduced

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BY ISENHART

A BILL FOR

1 An Act providing for a specialty food beginning farmer tax
2 credit, and providing for fees.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 16.58, subsections 1, 9, and 11, Code
2 2024, are amended to read as follows:

3 1. "*Agricultural assets*" means agricultural land,
4 agricultural improvements, depreciable agricultural property,
5 including agricultural commodities such as crops, or livestock,
6 or agricultural products processed from those agricultural
7 commodities.

8 9. "*Farming*" means the ~~cultivation~~ use of agricultural
9 land for the production of agricultural commodities including
10 agricultural crops, the raising of livestock or poultry; the
11 production of eggs; the production of milk; the production
12 of syrup or honey; the production of vegetables, fruit,
13 or other horticultural crops; ~~grazing, the production of~~
14 ~~livestock,~~ aquaculture; hydroponics; the production of forest
15 products; or other activities designated by rules adopted by
16 the authority ~~by rules subject to~~ pursuant to chapter 17A.

17 11. "*Production item*" includes tools, machinery, or
18 equipment principally used to produce ~~crops or livestock~~ an
19 agricultural commodity.

20 Sec. 2. Section 16.58, Code 2024, is amended by adding the
21 following new subsections:

22 NEW SUBSECTION. 1A. "*Agricultural development board*" means
23 the agricultural development board created in section 16.2C.

24 NEW SUBSECTION. 6A. "*Department*" means the department of
25 revenue created in section 421.2.

26 Sec. 3. Section 16.77, subsections 1 and 3, Code 2024, are
27 amended by striking the subsections.

28 Sec. 4. Section 16.82A, subsection 2, Code 2024, is amended
29 to read as follows:

30 2. The amount of beginning farmer tax credits that may be
31 awarded by the authority in any one calendar year under the
32 beginning farmer tax credit program shall not in the aggregate
33 exceed a limit of ~~twelve~~ six million dollars. Tax credits
34 shall be awarded by the authority not later than December
35 15 of each calendar year after the agricultural development

1 board reviews applications as provided in [section 16.81](#) and
2 the authority determines tax credit amounts for the approved
3 applications as provided in [section 16.82](#), aggregated for
4 purposes of meeting the annual program award limits.

5 Sec. 5. NEW SECTION. 16.85 Definitions.

6 As used in this subpart, unless the context otherwise
7 requires:

8 1. "*Eligible taxpayer*" means a taxpayer who may participate
9 in the specialty food beginning farmer tax credit program,
10 including by meeting all the criteria as provided in section
11 16.87.

12 2. "*Food animal*" means an animal belonging to the bovine,
13 caprine, ovine, or porcine species; a turkey, chicken, or other
14 type of poultry; a farm deer as defined in section 170.1; a
15 fish or other aquatic organism confined in private waters for
16 human consumption; or a bee as defined in section 160.1A.

17 3. "*Food commodity*" means any of the following:

18 a. A food animal that is to be slaughtered or harvested for
19 food processing.

20 b. An item regularly generated by a food animal, including
21 milk, eggs, or honey, that has been collected for food
22 processing.

23 c. Whole produce, including vegetables or fruit, sap, whole
24 nuts, or whole produce, including vegetables or fruit, that has
25 been harvested for food processing.

26 4. "*Food processing*" means to prepare a food product
27 for sale on a retail basis, including by doing any of the
28 following:

29 a. Removing debris from a food commodity, including by
30 washing it.

31 b. Changing the form, state, or physical characteristics
32 of a food commodity, including by cutting, trimming, deboning
33 or defeathering, churning, freezing or chilling, heating,
34 pasteurizing, shelling, husking, drying, filtering, fermenting,
35 distilling, or eviscerating it.

1 *c.* Storing or packaging the food commodity, including by
2 canning, jarring, boxing, or otherwise enclosing it.

3 5. *a.* "*Food product*" means a food commodity that has been
4 processed for sale on a retail basis for human consumption.

5 *b.* "*Food product*" includes cuts of meat or poultry, milk,
6 eggs, syrup, honey, vegetables, fruit, or nuts.

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

9 7. "*Tax credit*" means the specialty food beginning farmer
10 tax credit allowed under section 16.89.

11 Sec. 6. NEW SECTION. **16.86 Administration.**

12 1. A specialty food beginning farmer tax credit program is
13 created under the control of the authority.

14 2. The authority and the department shall cooperate in
15 administering the program. The department shall have all
16 rulemaking powers necessary to administer its responsibilities
17 under this subpart as it does under chapter 422.

18 3. To every extent practicable, the authority shall
19 administer the program in a manner that provides specialty food
20 beginning farmers access to agricultural land used in producing
21 a food commodity and food processing.

22 4. The authority and the department shall each adopt
23 rules in accordance with chapter 17A as necessary for the
24 administration of their respective responsibilities under this
25 subpart. The eligibility requirements for eligible taxpayers
26 as provided in the rules shall not be more stringent than
27 provided in this subpart.

28 5. The authority shall provide for the preparation or
29 revision and publication or distribution of forms necessary
30 to administer their responsibilities under this subpart. The
31 authority shall make an effort to invite participation by
32 specialty food beginning farmers, including those engaged in
33 the production and processing of organic foods under chapter
34 190C.

35 Sec. 7. NEW SECTION. **16.87 Eligibility criteria.**

1 A taxpayer is eligible to participate in the program if the
2 taxpayer meets all of the following requirements:

3 1. The taxpayer must be able to legally acquire agricultural
4 land in this state pursuant to chapter 9H or 9I. The taxpayer
5 must also not be a person who may legally acquire agricultural
6 land exclusively because of an exception provided in one of
7 those chapters or in a provision of another chapter of this
8 Code including but not limited to chapter 10, 10D, or 501, or
9 section 15E.207.

10 2. The taxpayer must be a beginning farmer engaged in the
11 production of a food commodity or food product for direct
12 sale or for processing by one or more Iowa-based businesses
13 for wholesale or retail marketing or who is engaged in the
14 management of food animals for the production of food products
15 processed on site or at a facility that is eligible for the
16 choose Iowa promotional program, the value-added agriculture
17 grant program, the dairy innovation program, or the butchery
18 innovation and revitalization program.

19 3. The taxpayer must not have been at fault for previously
20 terminating participation in the program or a similar program
21 in which the taxpayer was allowed to claim a tax credit.

22 4. The taxpayer must not be a party to a pending
23 administrative or judicial action, including a contested case
24 proceeding under chapter 17A, relating to an alleged violation
25 involving an animal feeding operation as regulated by the
26 department of natural resources, regardless of whether the
27 pending action is brought by the department or the attorney
28 general.

29 5. The taxpayer must not be classified as a habitual
30 violator for a violation of state law involving an animal
31 feeding operation as regulated by the department of natural
32 resources under chapter 459.

33 6. The taxpayer must have access to adequate working capital
34 and production items.

35 7. The taxpayer must materially and substantially

1 participate in the specialized farming operation. If the
2 beginning farmer is a partnership, family farm corporation,
3 or family farm limited liability company, at least one of the
4 partners, shareholders, or members who is not a minor must
5 materially and substantially participate in the specialty food
6 farming operation.

7 8. The taxpayer must have sufficient education, training,
8 or experience in farming. If the taxpayer is a partnership,
9 at least one partner who is not a minor must have sufficient
10 education, training, or experience in farming. If the taxpayer
11 is a family farm corporation, at least one shareholder who
12 is not a minor must have sufficient education, training, or
13 experience in farming. If the taxpayer is a family farm
14 limited liability company, at least one member who is not a
15 minor must have sufficient education, training, or experience
16 in farming.

17 Sec. 8. NEW SECTION. 16.88 Application.

18 1. The authority shall adopt rules establishing a deadline
19 for persons to apply to participate in the program. The
20 authority shall require that the applicant provide all
21 information as determined relevant by the authority in order to
22 process the application. Any financial, contractual, or legal
23 authorization records provided to the authority shall be kept
24 confidential and are not subject to chapter 22.

25 2. The authority may impose, assess, and collect
26 application fees and shall adopt rules as necessary to
27 administer this subsection, including by providing for
28 different rates for those fees. The amount of application
29 fees collected by the authority shall be considered repayment
30 receipts as defined in section 8.2.

31 3. The agricultural development board shall review and
32 recommend approval or disapproval of an application to the
33 authority as provided by rules adopted by the authority.

34 4. An applicant may be provided priority based on soil
35 conservation and water quality practices installed on the

1 agricultural land.

2 Sec. 9. NEW SECTION. 16.89 Allowance.

3 1. The tax credit authorized under the program is allowed
4 against the taxes imposed in chapter 422, subchapter II, as
5 provided in section 422.11E, and in chapter 422, subchapter
6 III, as provided in section 422.33, subsection 21.

7 2. The amount of the tax credit shall equal the following:

8 a. Thirty percent of the purchase price of agricultural land
9 not to exceed forty acres paid by the eligible taxpayer, if the
10 agricultural land is to be a principal part of a specialty food
11 farming operation.

12 b. Thirty percent of the purchase price of machinery or
13 equipment paid by the eligible taxpayer, if the machinery or
14 equipment is used as a principal part of a specialty food
15 farming operation.

16 c. Fifty percent of payments made to an accredited
17 educational institution recognized by the authority for
18 education or continuing education that prepares a specialty
19 food beginning farmer for managing or assisting in the
20 operation of a specialty food farm operation.

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

27 Sec. 10. NEW SECTION. 16.89A Limits.

28 1. The amount of a tax credit that may be awarded to an
29 eligible taxpayer for any twelve-month period shall not exceed
30 fifty thousand dollars.

31 2. The total amount that the authority may award all
32 eligible taxpayers during a twelve-month period shall not
33 exceed the maximum amount of six million dollars. The
34 authority shall award each eligible taxpayer the full amount of
35 the eligible taxpayer's tax credit without proration until the

1 maximum amount is reached.

2 Sec. 11. NEW SECTION. **16.89B Tax credit certificate.**

3 1. The tax credit shall be for a twelve-month period
4 beginning and ending as determined by rules adopted by the
5 authority.

6 2. The tax credit certificate shall contain information
7 required by the department.

8 3. The tax credit certificate, unless rescinded by the
9 authority, shall be accepted by the department of revenue as
10 payment for taxes imposed in chapter 422, subchapter II, as
11 provided in section 422.11E, and in chapter 422, subchapter
12 III, as provided in section 422.33, subsection 21.

13 4. A tax credit certificate may be transferred to any
14 person. Within ninety days of transfer, the transferee shall
15 submit the transferred tax credit certificate to the department
16 together with information required by the department.

17 5. Within thirty days of receiving the transferred tax
18 credit certificate and the transferee's statement, the
19 department shall issue one or more replacement tax credit
20 certificates to the transferee. Each replacement tax credit
21 certificate must contain the information required for the
22 original tax credit certificate and must have the same
23 expiration date that appeared in the transferred tax credit
24 certificate. A tax credit certificate amount that is less than
25 a minimum amount established by rule adopted by the department
26 shall not be transferable.

27 6. A tax credit shall not be claimed by a transferee until
28 a replacement tax credit certificate identifying the transferee
29 as the proper holder has been issued. The transferee may use
30 the amount of the tax credit transferred for any tax year the
31 original transferor could have claimed the tax credit. Any
32 consideration received for the transfer of the tax credit shall
33 not be included as income under chapter 422, subchapters II,
34 III, and V. Any consideration paid for the transfer of the tax
35 credit shall not be deducted from income under chapter 422,

1 subchapters II, III, and V.

2 7. A tax credit is not refundable.

3 Sec. 12. Section 422.11E, Code 2024, is amended to read as
4 follows:

5 **422.11E Beginning farmer tax credit program.**

6 The taxes imposed under this subchapter, less the credits
7 allowed under section 422.12, shall be reduced by a any of the
8 following:

9 1. A beginning farmer tax credit as allowed under chapter
10 16, subchapter VIII, part 5, subpart B.

11 2. A specialized beginning farmer tax credit as allowed
12 under chapter 16, subchapter VIII, part 5, subpart C.

13 Sec. 13. Section 422.33, subsection 21, Code 2024, is
14 amended to read as follows:

15 21. The taxes imposed under this subchapter shall be reduced
16 by a any of the following:

17 a. A beginning farmer tax credit as allowed under chapter
18 16, subchapter VIII, part 5, subpart B.

19 b. A specialized beginning farmer tax credit as allowed
20 under chapter 16, subchapter VIII, part 5, subpart C.

21 EXPLANATION

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

24 BACKGROUND. This bill amends provisions in Code chapter 16
25 providing for a number of development programs administered by
26 the Iowa finance authority (IFA). Subchapter VIII provides
27 for agricultural development programs under the supervision
28 of the agricultural development division and agricultural
29 development board. A number of the agricultural development
30 programs support beginning farmers with low or moderate net
31 worth to acquire agricultural land for farming. The beginning
32 farmer tax credit program creates a tax credit against the
33 tax liability of the owner of agricultural land entering
34 into a lease with a beginning farmer for agricultural land,
35 equipment, and commodities such as crops or livestock. The

1 taxpayer may be either an individual or a business entity
2 that can hold agricultural land under Code chapter 9H, Iowa's
3 corporate farming law. A taxpayer participating in the program
4 is issued a tax credit certificate. The amount of the tax
5 credit is calculated differently based on the type of rent
6 payment arrangement described in the agreement and a taxpayer
7 is not eligible to claim a tax credit of more than \$50,000 in
8 a tax year. The agricultural development board is required
9 to review applications subject to IFA's approval. A fee is
10 imposed for processing applications. A taxpayer is issued
11 a tax credit certificate by the department of revenue (DOR)
12 which may be redeemed by the taxpayer. The tax credit may be
13 carried forward but not carried back and is not refundable.
14 Tax credits are awarded to all taxpayers whose applications
15 have been approved during a calendar year so long as the amount
16 of all awards does not exceed the \$12 million aggregate award
17 limitation.

18 BILL'S PROVISIONS. The bill establishes a specialty food
19 beginning farmer tax credit program based on the current
20 beginning farmer tax credit program. In this case, the tax
21 credit may be claimed by a beginning farmer engaged in a
22 specialty food farming operation rather than a landlord. The
23 specialty beginning farmer must be engaged in producing a
24 food commodity and may be engaged in processing that food
25 commodity into a food product. The food commodity includes
26 food animals used for meat or poultry or associated items such
27 as milk or eggs. It may also include fruit, vegetables, nuts,
28 or honey. Like the beginning farmer tax credit program, this
29 program is administered by the authority and the department.
30 The bill provides similar eligibility requirements applied
31 to a beginning farmer engaged in specialty production
32 or processing. IFA is required to establish application
33 requirements, including the establishment of fees. The
34 amount of the tax credit equals 30 percent of the purchase
35 price of the agricultural land, 30 percent of the purchase

1 price of equipment or machinery, and 50 percent of payments
2 made to an accredited educational institution that prepares
3 a beginning farmer for managing a specialty farm operation
4 or related food processing operation. The amount of the tax
5 credit cannot exceed \$50,000 per any 12-month period and the
6 total amount that may be awarded for all claims cannot exceed
7 \$6 million in any 12-month period. The \$12 million used to
8 support the beginning farmer tax credit program is reduced by
9 half so that the programs share half of the current total.
10 IFA must award each eligible taxpayer the full amount of the
11 eligible taxpayer's tax credit without proration until the
12 maximum amount is reached. The eligible taxpayer is issued
13 a tax certificate which may be transferred to a new holder
14 under certain conditions. The eligible taxpayer, but not a
15 transferee, may claim the tax credit as a refund.