

House Study Bill 739 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON KAUFMANN)

A BILL FOR

1 An Act providing a credit refund for taxpayers who own or
2 lease cow-calf operations that maintain a herd of qualified
3 cattle, and providing an appropriation.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 422.11N Cow-calf operations credit.

2 The taxes imposed under this subchapter, less the credits
3 allowed under section 422.12, shall be reduced by a cow-calf
4 operations credit allowed and a cow-calf operations credit
5 refund paid under subchapter X.

6 Sec. 2. Section 422.33, Code 2024, is amended by adding the
7 following new subsection:

8 NEW SUBSECTION. 11. The taxes imposed under this subchapter
9 shall be reduced by a cow-calf operations credit allowed and a
10 cow-calf operations credit refund paid under subchapter X.

11 Sec. 3. NEW SECTION. 422.120 Definitions.

12 As used in this subchapter, unless the context otherwise
13 requires:

14 1. "*Appropriation amount*" means the amount of the
15 appropriation for a fiscal year as provided in section 422.124
16 available to support a cow-calf operations credit refund paid
17 under section 422.126 plus any additional appropriation made
18 to the department for that same fiscal year and for that same
19 purpose.

20 2. "*Cow-calf operation*" or "*operation*" means land and
21 facilities located in this state where a cow-calf operation
22 herd is maintained.

23 3. "*Cow-calf operation cattle*" or "*cattle*" means any of the
24 following three types of cattle:

25 a. A mature beef cow bred or for breeding.

26 b. A bred yearling heifer.

27 c. A breeding bull.

28 4. "*Cow-calf operation herd*" or "*herd*" means at least one
29 head of each of the three types of cow-calf operation cattle
30 that are maintained together.

31 Sec. 4. NEW SECTION. 422.121 Administration.

32 1. The department shall adopt all rules pursuant to chapter
33 17A that it determines are necessary or desirable to administer
34 this subchapter.

35 2. The department shall publish all forms required for

1 an eligible taxpayer to comply with this subchapter. The
2 department shall provide for procedures for the receipt,
3 filing, processing, and return of documents in an electronic
4 format, including but not limited to the transmission of
5 documents by the internet. The department shall provide for
6 authentication of the documents that may include electronic
7 signatures as provided in chapter 554D.

8 Sec. 5. NEW SECTION. **422.122 Allowance.**

9 1. There is allowed a cow-calf operations credit that may be
10 claimed by eligible taxpayers for tax years beginning on and
11 after January 1, 2025.

12 2. Only qualifying cow-calf operation cattle are counted
13 in calculating an allowable credit. Cattle qualify, if on
14 December 31 of the taxpayer's tax year and on the previous July
15 1, the cattle are part of a cow-calf operation herd maintained
16 at a cow-calf operation.

17 3. *a.* The amount of an allowable credit equals fifteen
18 dollars and fifty cents multiplied by the number of qualifying
19 cow-calf operation cattle counted by the eligible taxpayer as
20 provided in subsection 2 subject to allocation as provided in
21 section 422.127.

22 *b.* The maximum allowable credit amount that may be claimed
23 by an eligible taxpayer shall not exceed four thousand dollars.

24 Sec. 6. NEW SECTION. **422.123 Taxpayer eligibility.**

25 A taxpayer is eligible to claim the allowable credit under
26 section 422.122, if all of the following apply:

27 1. The taxpayer is all of the following:

28 *a.* The owner of an interest in one or more qualifying
29 cow-calf operation cattle that are part of a cow-calf operation
30 herd as described in section 422.122.

31 *b.* The owner or lessee of an interest in the cow-calf
32 operation where the qualifying cow-calf operation cattle are
33 maintained.

34 *c.* Able to directly or indirectly acquire or otherwise
35 obtain, own, lease, or hold agricultural land for purposes of

1 farming under chapter 9H, 9I, 10, or 501.

2 *d.* Not classified as a habitual violator for a violation of
3 state law involving an animal feeding operation as regulated by
4 the department of natural resources under chapter 459.

5 *e.* Subject to taxation under subchapter II or III.

6 2. The taxpayer's income does exceed an adjustable income
7 limit. The taxpayer's adjustable income limit equals the
8 taxpayer's federal taxable income. In the case of married
9 taxpayers, their combined federal taxable income shall be used
10 to determine if they may claim the allowable credit. The
11 taxpayer's adjustable income limit shall be calculated as
12 follows:

13 *a.* The base rate for the calendar year beginning January 1,
14 2024, shall equal one hundred ninety-one thousand dollars.

15 *b.* (1) For the tax year beginning January 1, 2025, and for
16 each subsequent tax year, the eligible taxpayer's base rate as
17 specified in paragraph "a" is multiplied by the cumulative index
18 factor for that tax year.

19 (2) (a) "*Cumulative index factor*" means the product of the
20 annual index factor for the 2025 calendar year and all annual
21 index factors for subsequent calendar years.

22 (b) The annual index factor equals the annual inflation
23 factor for that calendar year as computed in section 422.4 for
24 purposes of the individual income tax.

25 **Sec. 7. NEW SECTION. 422.124 Appropriation — limitation.**

26 For the fiscal year beginning July 1, 2025, and ending
27 June 30, 2026, and for each fiscal year thereafter, there
28 is appropriated from the general fund of the state to the
29 department three million dollars to pay cow-calf operations
30 credit refunds as provided in section 422.126.

31 **Sec. 8. NEW SECTION. 422.125 Credit claim form — filing**
32 **requirements.**

33 1. An eligible taxpayer shall only claim a cow-calf
34 operations credit allowed under section 422.122 for the
35 taxpayer's tax year by completing a cow-calf operations

1 credit claim form including all information required by the
2 department. The claim form must include all of the following:

3 *a.* The count of the cow-calf operation cattle in which
4 the eligible taxpayer owns an interest as provided in section
5 422.122.

6 *b.* The eligible taxpayer's ownership percentage interest in
7 the counted cow-calf operation cattle as provided in section
8 422.123.

9 *c.* A calculation of the cow-calf operations credit claimed
10 by the eligible taxpayer.

11 2. The eligible taxpayer must file the cow-calf operations
12 credit claim form with the department as required by the
13 department. The claim form shall be attached to the taxpayer's
14 income tax return for the tax year in which the credit is
15 claimed. The claim form must be filed within ten months after
16 the last day of the tax year of the return. The department
17 shall not grant the taxpayer an extension for filing the claim
18 form. The taxpayer has the burden to maintain tax records that
19 support the claim form. Upon request by the department, a
20 taxpayer shall allow the department to examine the tax records
21 used to support the claim form.

22 3. The department shall review and approve or disapprove all
23 cow-calf operations credit claim forms, if properly submitted
24 to the department according to procedures established by the
25 department.

26 4. A taxpayer who files a fraudulent cow-calf operations
27 credit claim form shall forfeit any right or interest in a
28 cow-calf operations credit refund payment, as provided in
29 section 422.126, in subsequent tax years.

30 Sec. 9. NEW SECTION. 422.126 **Credit refund computation and**
31 **payment.**

32 1. On or before February 28, the department shall compute
33 all payable claimed cow-calf operations credits approved by the
34 department as provided in section 422.125, for a refund payment
35 for the eligible taxpayer's prior tax year. If a credit cannot

1 be computed by that date because a taxpayer is not a calendar
2 year filer, the taxpayer's approved claim form shall be held
3 over for computation and payment of a credit for the taxpayer's
4 following tax year.

5 2. The department shall pay each eligible taxpayer up to the
6 maximum allowable credit amount.

7 3. The department shall determine whether it will make full
8 credit refund payments or partial credit refund payments to
9 eligible taxpayers in a tax year by dividing the appropriation
10 amount by the total amount of all payable claimed credits
11 approved by the department.

12 a. If the appropriation amount is equal to or more than the
13 total amount of payable claimed credits, the department shall
14 make full credit refund payments to all eligible taxpayers.

15 b. If the appropriation amount is less than the total
16 amount of payable claimed credits, the department shall make
17 partial credit refund payments, in lieu of making full credit
18 refund payments, to all eligible taxpayers. In that case, the
19 department shall make to each eligible taxpayer submitting an
20 approved claim form the sum of the two partial credit refund
21 payments as follows:

22 (1) The first refund payment which shall be made to all such
23 eligible taxpayers not awarded a full credit refund payment,
24 by dividing the appropriation amount by the total number of
25 eligible taxpayers filing approved claim forms.

26 (2) The second refund payment which shall be made to
27 each such eligible taxpayer not awarded a full credit refund
28 payment. Each such taxpayer shall be assigned the same
29 percentage of the remaining appropriation amount as would have
30 been awarded to that taxpayer if full refund payments were
31 being made.

32 4. An eligible taxpayer who is awarded a partial credit
33 refund payment is not entitled to any remaining unpaid amount
34 of the partial credit refund. The taxpayer is not entitled to
35 carry forward or carry back to another tax year any remaining

1 unpaid amount of the partial credit refund. The taxpayer
2 shall not use a credit refund as an estimated payment for a
3 succeeding tax year.

4 Sec. 10. NEW SECTION. **422.127 Allocations.**

5 1. A percentage of a cow-calf operations credit refund
6 payment made in section 422.126 shall be awarded to one or
7 more eligible taxpayers, under circumstances identified by the
8 department, including any of the following:

9 a. If an eligible taxpayer owns or leases an interest in a
10 cow-calf operation that is partially located in and partially
11 located outside this state.

12 b. (1) Except for married taxpayers, if two or more
13 eligible taxpayers jointly own or lease an interest in the
14 same cow-calf operation and jointly own a percentage of all
15 qualified cow-calf operation cattle that are part of a cow-calf
16 operation herd maintained at the operation.

17 (2) For married taxpayers in which one or both spouses are
18 eligible taxpayers, any of the following:

19 (a) If only one spouse as an eligible taxpayer owns or
20 leases an interest in a cow-calf operation and independently
21 owns an interest in all qualified cattle that are part of a
22 cow-calf operation herd maintained at the operation.

23 (b) If both spouses as eligible taxpayers jointly own or
24 lease an interest in the same cow-calf operation and jointly
25 own all qualified cattle that are part of a cow-calf operation
26 herd maintained at the operation.

27 (3) If each spouse separately owns or leases an interest
28 in a separate cow-calf operation and independently owns an
29 interest in all qualified cattle that are part of a cow-calf
30 herd maintained at that operation. In that case, each spouse
31 as an eligible taxpayer may claim up to the maximum allowable
32 credit amount without allocation to the other spouse.

33 2. a. An individual may claim a cow-calf operations credit
34 refund allowed a partnership, limited liability company,
35 subchapter S corporation, or estate or trust electing to have

1 the income taxed directly to the individual. The amount
2 claimed by the individual shall be based upon the pro rata
3 share of the individual's earning of the partnership, limited
4 liability company, subchapter S corporation, or estate or
5 trust.

6 EXPLANATION

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

9 BACKGROUND — GENERAL. In 1996, the general assembly
10 established the livestock production tax credit refund (credit
11 refund) in Code sections 422.120 through 422.123 codified
12 as division X (now subchapter X) that authorized eligible
13 taxpayers to claim a refund tax credit (credit) in an amount
14 based on the cost of producing certain farm animals associated
15 with beef, dairy, pork, sheep, and poultry operations (1996
16 Iowa Acts, chapter 1197). The details of the credit were
17 further described in rules adopted by the department of revenue
18 and finance (today the department of revenue) under 701 IAC
19 43.8. In 1997 and 1999, the general assembly amended the
20 provisions in the division (1997 Iowa Acts, chapter 206, and
21 1999 Iowa Acts, chapter 151) and in 2009 the general assembly
22 eliminated the provisions entirely (2009 Iowa Acts, chapter
23 179).

24 BACKGROUND — CALCULATION. The 1996 Iowa Act established
25 a formula to calculate the credit based on a flat rate of
26 10 cents multiplied by a corn equivalency factor assigned to
27 each species of listed farm animals maintained as part of a
28 herd or flock at a livestock production operation (operation).
29 The Act accounted for both mature and immature farm animals
30 (e.g., farrow to finish and farrow to feeder pig) and types of
31 operation (cow-calf, feedlot, and dairy). The corn equivalency
32 factor was based on the farm animal's relevant consumption of
33 corn or a corn substitute having relative comparable value,
34 which presumably corresponded to the comparative weights of
35 the farm animals, ranging from a broiler assigned a 0.15 corn

1 equivalency to a dairy cow assigned a 350 corn equivalency
2 (for a similar scale of corresponding animal weights see Code
3 section 459.102). For example, the credit for an operation
4 maintaining turkeys assigned a corn equivalency of 1.5 for
5 each bird would be calculated as $\$0.10 \times 1.5 = \0.15). The
6 next step would be to multiply the product of the per turkey
7 credit refund by the total number of turkeys maintained at
8 the operation. If the operation contained 15,000 turkeys,
9 the total animal credit refund amount would be calculated
10 as $\$0.10 \times 1.5 \times 15,000 = \$2,250$. Alternatively, for a
11 cow-calf operation, the assigned corn equivalency for each
12 qualifying head of cattle that was part of a herd maintained
13 at an operation was 111.5 or $\$11.15$ per head. If an operation
14 contained 280 qualifying cattle, the total credit refund amount
15 would be calculated as $\$0.10 \times 111.5 \times 280 = \$3,122$.

16 BACKGROUND — PROCEDURES. The 1996 Iowa Act established
17 a number of procedures. The taxpayer was required to file
18 a claim for the refund within 10 months from the last day
19 of the taxpayer's tax year (October 31 for a calendar year
20 filer). An extension by the taxpayer was not allowed. A
21 claim for a credit refund had to be made on forms published by
22 the department. The department was required to determine by
23 February 28 of each calendar year whether the total amount of
24 claims for refunds for the prior calendar year exceeded the
25 amount available to fully pay all claims.

26 BACKGROUND — LIMITATIONS (RESTRICTED TO COW-CALF
27 OPERATIONS). The 1996 Iowa Act provided that for the tax
28 year beginning on and after January 1, 1996, the credit
29 refund applied only to cow-calf operations. The 1997 Iowa
30 Act extended that restriction to all future tax years, while
31 leaving the Code sections establishing the general credit
32 refund applying to all farm animals intact but unfunded. The
33 1997 Iowa Act specified that a cow-calf operation must include
34 a herd consisting of three types of qualifying cattle: mature
35 beef cows bred or for breeding, bred yearling heifers, and

1 breeding bulls. The 1999 Iowa Act provided that the credit
2 refund was based on a head count of the cattle (inventory)
3 conducted on December 31 of the tax year and required that the
4 same cattle must have been included in the herd inventory on
5 the previous July 1.

6 BACKGROUND — LIMITATIONS (FINANCIAL CAPS). A number of
7 financial limitations applied to the credit refund. The
8 first and second limitations were established in the 1996
9 Iowa Act. The first limitation set a maximum allowable
10 amount (maximum credit cap) of \$3,000 that could be awarded
11 to any one taxpayer. Thus, a taxpayer who owned a cow-calf
12 operation could not count more than 269 cattle when claiming
13 a credit refund ($\$0.10 \times 111.5 \times 269 = \$2,999.35$). The second
14 limitation set a maximum annual standing limited appropriation
15 of \$2 million dedicated to pay all claimed credit refunds
16 allowed by the department in that fiscal year. If on February
17 28 the appropriated amount was available to cover all approved
18 credit claims, each of the approved claims would be paid up to
19 the maximum allowable credit cap. Otherwise, the appropriated
20 amount would be paid on a percentage basis in two rounds of
21 distributions. During the first round, each taxpayer holding
22 a claim was paid an equal amount up to the claimed credit's
23 maximum credit cap. During the second round, the remaining
24 appropriation amount was apportioned among all taxpayers
25 holding claims that were not fully paid. Each such taxpayer
26 was assigned the same percentage of the remaining appropriation
27 amount as would have been awarded to that taxpayer if full
28 refund payments were made to all such waiting taxpayers. The
29 third financial limitation set an eligibility requirement for
30 taxpayers. The 1997 Iowa Act replaced a taxpayer net worth cap
31 with a taxpayer annual income cap. The former Act required
32 a taxpayer to have had a net worth of less than \$1 million.
33 The new requirement provided that the taxpayer's income could
34 not exceed \$99,600 for the 1997 tax year and increased that
35 cap each tax year based on an inflation formula referred to

1 as a cumulative index factor which added together the rate of
2 inflation for each relevant year after the base year (see Code
3 section 422.4).

4 BACKGROUND — ALLOCATIONS. Interest holders of certain
5 businesses, such as S corporations, were allowed to claim the
6 credit individually as a pass-through.

7 BILL'S PROVISIONS. This bill reestablishes the credit
8 refund based on the framework of the 1996 Iowa Act as amended,
9 but also makes certain changes. The former version of the
10 credit refund applied to livestock production operations but
11 in fact limited its application to only cow-calf operations.
12 The bill applies exclusively to cow-calf operations as defined
13 in the 1997 Iowa Act and eliminates language that refers to
14 those other types of operations. The bill assumes an inflation
15 rate of 92 percent (rounded) since the income cap for taxpayers
16 first applied to 1997 and later tax years and substitutes
17 \$99,600 with \$191,000 (rounded) as a base rate for the 2024
18 calendar year with subsequent increases calculated for tax
19 years beginning on and after January 1, 2025, using the same
20 inflation formula. The bill assumes an inflation rate of 43.75
21 percent (rounded) since the credit's elimination in 2009. The
22 bill replaces the formula that had been used to calculate the
23 per head amount of the credit with a fixed amount of \$15.50
24 assuming an inflation adjusted flat rate per head from \$0.10 to
25 \$0.14 calculated as $\$0.14 \times 111.5 = \15.50 (rounded). It makes
26 two other inflation adjustments, including (1) the maximum
27 allowable credit amount by substituting \$3,000 with \$4,000
28 (rounded), and (2) the appropriation amount by substituting
29 \$2 million with \$3 million (rounded). It requires the filing
30 of documents with the department in an electronic format. It
31 provides that a taxpayer must be able to hold agricultural
32 land for farming under Iowa's corporate and foreign farming
33 laws (see Code chapter 425A providing for the family farm
34 tax credit) and provides that a taxpayer operating an animal
35 feeding operation cannot be classified as a habitual violator

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1 of environmental regulations (see Code section 16.79 providing
2 eligibility criteria for the beginning farmer tax credit
3 program). Finally, it expressly allows the department to
4 calculate allocations of a credit when qualifying cow-calf
5 operation cattle are owned by more than one taxpayer, including
6 married taxpayers.