

House File 2733 - Introduced

HOUSE FILE 2733

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JACOBY

A BILL FOR

1 An Act relating to water quality, including a water quality
2 monitoring network and the water quality initiative, an
3 agricultural best management practices tax credit, an Iowa
4 clean water farm program and property tax credit, and water
5 quality practices loans, making appropriations, and including
6 applicability provisions.

7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

WATER QUALITY MONITORING NETWORK

Section 1. IOWA FLOOD CENTER — APPROPRIATION. There is appropriated from the general fund of the state to the state board of regents for the fiscal year beginning July 1, 2026, and ending June 30, 2027, the following amount, or so much thereof as is necessary, to be used for the purposes designated:

For purposes of supporting a water quality monitoring network under the supervision of the Iowa flood center of the state university of Iowa:

..... \$ 600,000

DIVISION II

WATER QUALITY INITIATIVE

Sec. 2. WATER QUALITY INITIATIVE — DEPARTMENT OF AGRICULTURE AND LAND STEWARDSHIP.

1. There is appropriated from the environment first fund created in section 8.57A to the department of agriculture and land stewardship for the fiscal year beginning July 1, 2026, and ending June 30, 2027, the following amount, or so much thereof as is necessary, to be used for the purposes designated:

For deposit in the water quality initiative fund created in section 466B.45, for purposes of supporting the water quality initiative administered by the division of soil conservation and water quality as provided in section 466B.42, including salaries, support, maintenance, and miscellaneous purposes:

..... \$ 7,125,000

2. There is appropriated from the rebuild Iowa infrastructure fund created in section 8.57 to the department of agriculture and land stewardship for the fiscal year beginning July 1, 2026, and ending June 30, 2027, the following amounts, or so much thereof as is necessary, to be used for the purposes designated:

For deposit in the water quality initiative fund created in section 466B.45 for purposes of supporting the water quality initiative administered by the division of soil conservation and water quality as provided in section 466B.42, including salaries,

1 support, maintenance, and miscellaneous purposes, notwithstanding
2 section 8.57, subsection 3, paragraph "c":

3 \$ 24,600,000

4 3. a. The moneys appropriated in subsections 1 and 2 shall
5 be used to support projects in subwatersheds as designated by the
6 division that are part of high-priority watersheds identified by
7 the water resources coordinating council established pursuant to
8 section 466B.3.

9 b. The moneys appropriated in subsections 1 and 2 shall be
10 used to support projects in watersheds generally, including
11 regional watersheds, as designated by the division and
12 high-priority watersheds identified by the water resources
13 coordinating council established pursuant to section 466B.3.

14 4. In supporting projects in subwatersheds and watersheds as
15 provided in subsection 3, all of the following apply:

16 a. The demonstration projects shall utilize water quality
17 practices as described in the Iowa nutrient reduction strategy as
18 defined in section 455B.171.

19 b. The division shall implement demonstration projects as
20 provided in paragraph "a" by providing for participation by
21 persons who hold a legal interest in agricultural land used in
22 farming. To every extent practical, the division shall provide
23 for collaborative participation by such persons who hold a legal
24 interest in agricultural land located within the same
25 subwatershed.

26 c. The division shall implement a demonstration project on a
27 cost-share basis as determined by the division. However, except
28 for edge-of-field practices, the state's share of the amount
29 shall not exceed 50 percent of the estimated cost of establishing
30 the practice as determined by the division or 50 percent of the
31 actual cost of establishing the practice, whichever is less.

32 d. The demonstration projects shall be used to educate other
33 persons about the feasibility and value of establishing similar
34 water quality practices. The division shall promote field day
35 events for purposes of allowing interested persons to establish

1 water quality practices on their agricultural land.

2 e. The division shall conduct water quality evaluations
3 within supported subwatersheds. Within a reasonable period after
4 accumulating information from such evaluations, the division
5 shall create an aggregated database of water quality practices.
6 Any information identifying a person holding a legal interest in
7 agricultural land or specific agricultural land shall be a
8 confidential record under section 22.7.

9 5. The moneys appropriated in subsections 1 and 2 shall be
10 used to support education and outreach in a manner that
11 encourages persons who hold a legal interest in agricultural land
12 used for farming to implement water quality practices, including
13 the establishment of such practices in watersheds generally, and
14 not limited to subwatersheds or high-priority watersheds.

15 6. The moneys appropriated in subsections 1 and 2 may be used
16 to contract with persons to coordinate the implementation of
17 efforts provided in this section.

18 7. The moneys appropriated in subsections 1 and 2 may be used
19 by the department to support urban soil and water conservation
20 efforts, which may include but are not limited to management
21 practices related to bioretention, landscaping, the use of
22 permeable or pervious pavement, and soil quality restoration.
23 The moneys shall be allocated on a cost-share basis as provided
24 in chapter 161A.

25 8. Notwithstanding any other provision of law to the
26 contrary, the department may use moneys appropriated in
27 subsections 1 and 2 to carry out the provisions of this section
28 on a cost-share basis in combination with other moneys available
29 to the department from a state or federal source.

30 9. Not more than 10 percent of the moneys appropriated in
31 this section may be used to pay for the costs of administering
32 and implementing the water quality initiative by the department's
33 division of soil conservation and water quality as provided in
34 section 466B.42 and this section.

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DIVISION III

1 AGRICULTURAL BEST MANAGEMENT PRACTICES TAX CREDIT

2 Sec. 3. NEW SECTION. **422.12R Agricultural best management**
3 **practices tax credit.**

4 The tax imposed under this subchapter, less the credits
5 allowed under section 422.12, shall be reduced by an agricultural
6 best management practices tax credit authorized pursuant to
7 section 466B.50.

8 Sec. 4. Section 422.33, Code 2026, is amended by adding the
9 following new subsection:

10 NEW SUBSECTION. 33. The tax imposed under this subchapter
11 shall be reduced by an agricultural best management practices tax
12 credit authorized pursuant to section 466B.50.

13 Sec. 5. NEW SECTION. **466B.50 Agricultural best management**
14 **practices tax credit.**

15 1. As used in this section:

16 a. "*Agricultural best management practices plan*" means a plan
17 approved by the division that provides significant improvement
18 to water quality in this state utilizing eligible practices, and
19 is consistent with other state and federal programs that address
20 agriculture nonpoint source pollution management.

21 b. "*Division*" means the division of soil conservation and
22 water quality within the department of agriculture and land
23 stewardship.

24 c. "*Eligible practice*" means the installation of
25 infrastructure, including conservation structures, practices, or
26 other measures that reduce contributing nutrient loads under
27 section 466B.43. "*Eligible practice*" also includes other
28 practices used to reduce contributing nutrient loads including
29 but not limited to alternative water systems, stream crossings
30 and hardened access points, stream channel stabilizations,
31 stormwater retention ponds, surface water runoff impoundments,
32 constructed wetlands, wetland restorations, fuel tank storage
33 treatments, capping and plugging abandoned wells, or integrated
34 pest management principles.

35 2. The taxes imposed by chapter 422, subchapters II and III,

1 shall be reduced by an agricultural best management practices tax
2 credit. The credit shall equal fifty percent of any unreimbursed
3 costs incurred by the taxpayer during the tax year for the
4 completion of an eligible practice that is in the approved plan
5 of the taxpayer.

6 3. After completion of any eligible practice, the division
7 shall inspect the completion of the eligible practice, and,
8 if completed, then certify the eligible practice as completed.
9 The taxpayer shall provide the certification to the department
10 of revenue when filing a return in a manner approved by the
11 department of revenue.

12 4. A taxpayer shall not claim the credit for the same
13 eligible practice in the same area more than one time.

14 5. For purposes of this section, an individual may claim
15 a credit incurred by a partnership, S corporation, limited
16 liability company, estate, or trust electing to have the income
17 taxed directly to the individual. The amount claimed by the
18 individual shall be based upon the pro rata share of the
19 individual's earnings of a partnership, S corporation, limited
20 liability company, estate, or trust.

21 6. The credit shall be available to the taxpayer for a period
22 not to exceed ten consecutive tax years and shall not exceed one
23 hundred fifty thousand dollars in the aggregate per plan.

24 7. Any credit in excess of tax liability is refundable.
25 In lieu of claiming a refund, the taxpayer may elect to have
26 the overpayment shown on the taxpayer's final, completed return
27 credited to the tax liability for the following tax year.

28 8. The department of agriculture and land stewardship shall
29 adopt rules pursuant to chapter 17A to administer this section.

30 Sec. 6. CODE EDITOR DIRECTIVE. The Code editor shall
31 designate section 466B.50, as enacted in this division of this
32 Act, as chapter 466B, subchapter V, entitled "Agricultural Best
33 Management Practices Tax Credit".

34 Sec. 7. APPLICABILITY. This division of this Act applies to
35 tax years beginning on or after January 1, 2027.

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DIVISION IV

CLEAN WATER FARM PROGRAM AND PROPERTY TAX CREDIT

Sec. 8. NEW SECTION. **426D.1 Definitions.**

As used in this chapter:

1. "Agricultural land" means the same as defined in section 425A.2.

2. "Department" means the department of revenue.

3. "Division" means the division of soil conservation and water quality within the department of agriculture and land stewardship.

4. "Owner" means an owner as defined in section 425A.2.

5. "Program" means the Iowa clean water farm program.

Sec. 9. NEW SECTION. **426D.2 Iowa clean water farm property tax credit.**

1. A qualifying owner shall be allowed an Iowa clean water farm property tax credit on agricultural land that has been certified by the division and placed in the program.

2. The amount of the credit under this section shall be equal to five dollars per certified acre placed in the program.

Sec. 10. NEW SECTION. **426D.3 Iowa clean water farm program — fund — appropriation.**

1. The division shall establish an Iowa clean water farm program to determine whether agricultural land meets the criteria for the credit under this chapter and the goal of preserving and protecting Iowa's water resources by reducing contributing nutrient loads.

2. An Iowa clean water farm fund is created in the state treasury under the control of the department. For each fiscal year beginning on or after July 1, 2028, there is appropriated annually from the general fund of the state to the department of revenue to be credited to the Iowa clean water farm fund an amount sufficient to implement this chapter.

Sec. 11. NEW SECTION. **426D.4 Qualifying for the credit.**

1. In order to qualify for the credit, an owner must first apply to the division for certification of the acres of

1 agricultural land placed in the program. The application shall
2 be in a manner and filed by the deadline prescribed by the
3 division.

4 2. Upon application, the division shall conduct a
5 comprehensive review of the nutrient loads associated with
6 the acres of agricultural land proposed to be placed into
7 the program, including conservation structures, best practices,
8 or other measures that have been implemented to reduce
9 contributing nutrient loads in Iowa's water resources. After
10 the comprehensive review, the division shall make a determination
11 whether to certify the proposed acres of agricultural land as
12 meeting the program goal of preserving and protecting Iowa's
13 water resources by reducing contributing nutrient loads.

14 3. Upon certification of acres in the program, the credit
15 shall be allowed on the certified acres for successive years
16 without further application as long as the certified acres are
17 legally and equitably owned by the qualifying owner or the
18 spouse of the qualifying owner on January 1 of each successive
19 assessment year.

20 Sec. 12. NEW SECTION. **426D.5 Notification by department and**
21 **computation by county auditor.**

22 1. On an annual basis, the division shall provide the
23 department the number of certified acres in the program by
24 county.

25 2. Annually, the department of revenue shall certify to the
26 county auditor of each county the credit and its amount in
27 dollars. Each county auditor shall then enter the credit against
28 the property tax levied on each certified acre in each county
29 payable during the ensuing year, designating on the tax lists
30 the credit as being from the Iowa clean water farm fund, and
31 credit shall then be given to the several taxing districts in
32 which the certified acres are located in an amount equal to
33 the credits allowed on the taxes of the certified acres. The
34 amount of credits shall be apportioned by each county treasurer
35 to the several taxing districts as provided by law, in the

1 same manner as though the amount of the credit had been paid
2 by the owners of the certified acres. However, the several
3 taxing districts shall not draw the funds so credited until
4 after the semiannual allocations have been received by the county
5 treasurer, as provided in this chapter. Each county treasurer
6 shall show on each tax receipt the amount of credit received from
7 the Iowa clean water farm fund.

8 Sec. 13. NEW SECTION. **426D.6 Verification of claims.**

9 1. The assessor shall retain a permanent file of current Iowa
10 clean water farm property tax credit claims in the county. The
11 assessor shall notify the department of transfer of certified
12 acres when notice is received from the office of the county
13 recorder.

14 2. The county recorder shall give notice to the assessor of
15 each transfer of title filed for certified acres in the county.
16 The notice shall describe the property transferred, the name of
17 the person transferring the title to the property, and the name
18 of the person to whom title to the property has been transferred.

19 Sec. 14. APPLICABILITY. This division of this Act applies to
20 assessment years beginning on or after January 1, 2027.

21 DIVISION V

22 WATER QUALITY PRACTICES LOANS AND GRANTS PROGRAM

23 Sec. 15. NEW SECTION. **455B.199E Agricultural water quality
24 practices loans and grants.**

25 1. Subject to available funding, the department of natural
26 resources shall establish and administer a water quality
27 practices loans and grants program to provide no-interest loans
28 and grants to any of the following:

29 a. Any person for the construction, renovation, improvement
30 or equipping of facilities or structures to implement
31 agricultural best management practices to prevent pollution of
32 state waters.

33 b. A local government entity that has developed a no-interest
34 loan program to provide loans or other incentives to facilitate
35 the construction, renovation, improvement, or equipping of

1 facilities or structures described in paragraph "a".

2 c. A financial institution working with a local government to
3 establish a program pursuant to paragraph "b".

4 2. The department shall adopt rules for the water quality
5 practices loans and grants program and shall determine the terms
6 and conditions of any loan or grant.

7 3. For purposes of this section, "*facilities or structures*"
8 may include riparian buffers planted in trees and maintained in
9 accordance with the terms and conditions of the loan or grant.

10

EXPLANATION

11

The inclusion of this explanation does not constitute agreement with

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

13 This bill relates to water quality and appropriates moneys to
14 support a water quality monitoring network and the water quality
15 initiative, creates an agricultural best management practices
16 tax credit (ABMP credit), establishes an Iowa clean water farm
17 program and property tax credit (CWF credit), and establishes a
18 water quality practices loans and grants program.

19 DIVISION I — WATER QUALITY MONITORING NETWORK. The bill
20 appropriates moneys from the general fund of the state to
21 the state board of regents for FY 2026-2027 for purposes
22 of supporting a water quality monitoring network under the
23 supervision of the Iowa flood center of the state university of
24 Iowa.

25 DIVISION II — WATER QUALITY INITIATIVE. The bill appropriates
26 moneys from the environment first fund and the rebuild Iowa
27 infrastructure fund to the department of agriculture and land
28 stewardship (DALIS) for FY 2026-2027 for purposes of supporting
29 the water quality initiative administered by the division of soil
30 conservation and water quality (division).

31 The bill requires the appropriated moneys to be used for
32 watershed projects designated by the division or the water
33 resources coordinating council, education and outreach that
34 encourages persons who hold a legal interest in agricultural
35 land used for farming to implement water quality practices,

1 or contracts to coordinate the implementation of water quality
2 improvement efforts. The bill also allows the appropriated
3 moneys to be used by DALs to support certain urban soil and water
4 conservation efforts.

5 The bill allows DALs to use the appropriated moneys to carry
6 out the purposes of the water quality initiative on a cost-share
7 basis in combination with other available state or federal funds.

8 The bill restricts DALs from using more than 10 percent of the
9 moneys appropriated for administrative costs of administering and
10 implementing the water quality initiative.

11 DIVISION III — AGRICULTURAL BEST MANAGEMENT PRACTICES TAX
12 CREDIT. The bill defines "agricultural best management practices
13 plan" (plan) to mean a plan approved by the division that
14 provides significant improvement to water quality in this state
15 utilizing eligible practices, and is consistent with other state
16 and federal programs that address agriculture nonpoint source
17 pollution management.

18 The bill defines "eligible practice" to mean the installation
19 of infrastructure, including conservation structures, practices,
20 or other measures that reduce contributing nutrient loads under
21 Code section 466B.43. "Eligible practice" also includes other
22 practices used to reduce contributing nutrient loads including
23 but not limited to alternative water systems, stream crossings
24 and hardened access points, stream channel stabilizations,
25 stormwater retention ponds, surface water runoff impoundments,
26 constructed wetlands, wetland restorations, fuel tank storage
27 treatments, capping and plugging abandoned wells, or integrated
28 pest management principles.

29 A taxpayer may claim the ABMP credit that is equal to 50
30 percent of any unreimbursed costs incurred by the taxpayer during
31 the tax year for the completion of an eligible practice that is
32 in the plan approved by the division.

33 After completion of any eligible practice, the bill requires
34 the division to inspect the completion of the eligible practice,
35 and, if completed, then certify the eligible practice as

1 completed. The taxpayer shall provide the certification to the
2 department of revenue when filing a return in a manner approved
3 by the department of revenue.

4 The ABMP credit shall be available to the taxpayer for a
5 period not to exceed 10 consecutive tax years and shall not
6 exceed \$150,000 in the aggregate per plan.

7 The bill makes the ABMP credit refundable. In lieu of
8 claiming a refund, the taxpayer may elect to have the overpayment
9 shown on the taxpayer's final, completed return credited to the
10 tax liability for the following tax year.

11 DALS is required to adopt rules pursuant to Code chapter 17A
12 to administer the bill.

13 The Code editor is directed to designate Code section 466B.50,
14 created in the bill, as Code chapter 466B, subchapter V, entitled
15 "Agricultural Best Management Practices Tax Credit".

16 The bill applies to tax years beginning on or after January 1,
17 2027.

18 DIVISION IV — CLEAN WATER FARM PROGRAM AND PROPERTY TAX
19 CREDIT. The bill defines "agricultural land" to generally mean
20 tracts of 10 acres or more excluding any buildings or other
21 structures used in agricultural or horticultural purposes.

22 The bill specifies a qualifying owner shall be allowed a CWF
23 credit on agricultural land equal to \$5 per acre on property
24 placed in the Iowa clean water farm program that has been
25 certified by the division. An "owner" means an owner as defined
26 in Code section 425A.2.

27 Upon application to the division, the bill requires the
28 division to conduct a comprehensive review of the nutrient
29 loads associated with the acres proposed to be placed into
30 the program, including conservation structures, best practices,
31 or other measures that have been implemented to reduce
32 contributing nutrient loads in Iowa's water resources. After
33 the comprehensive review, the division shall determine whether
34 to certify the proposed acres as meeting the program goal of
35 preserving and protecting Iowa's water resources by reducing

1 contributing nutrient loads.

2 The administration and apportionment of the CWF credit is
3 similar to the agricultural land credit in Code chapter 426. The
4 CWF credit is allowed on the certified acres for successive years
5 without further application as long as the certified acres are
6 owned by the qualifying owner or the spouse of the qualifying
7 owner.

8 The bill appropriates from the general fund of the state the
9 amounts necessary to fund the CWF credit.

10 The bill applies to assessment years beginning on or after
11 January 1, 2027.

12 DIVISION V — WATER QUALITY PRACTICES LOANS AND GRANTS
13 PROGRAM. The bill provides that the water quality practices loans
14 and grants program (program) be administered by the department
15 of natural resources (DNR) and that the program is subject to
16 available funding.

17 The bill authorizes DNR to provide no-interest loans
18 and grants to any person for the construction, renovation,
19 improvement, or equipping of facilities or structures that
20 implement agricultural best management practices intended to
21 prevent pollution of state waters.

22 The bill also authorizes DNR to provide no-interest loans
23 and grants to local government entities that have developed
24 no-interest loan programs or other incentives to facilitate
25 the construction, renovation, improvement, or equipping of the
26 facilities or structures. In addition, the bill authorizes
27 assistance to financial institutions that are working with local
28 governments to establish such local loan or incentive programs.

29 The bill requires DNR to adopt rules for the program and to
30 determine the terms and conditions of any loan or grant awarded
31 under the program.