

Senate File 59 - Introduced

SENATE FILE 59
BY SALMON

A BILL FOR

1 An Act relating to the farm tenancy net income exclusion
2 available against the individual income tax, and including
3 effective date and retroactive applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

unofficial

1 Section 1. Section 422.7, subsection 14, paragraph e, Code
2 2025, is amended by striking the paragraph and inserting in lieu
3 thereof the following:

4 e. Net income from a farm tenancy agreement earned, received,
5 or reported by an entity taxed as a disregarded entity, a
6 partnership for federal tax purposes, an S corporation, a
7 trust, or estate is eligible for the election and deduction
8 in this subsection for the portion of net income derived from
9 a farm tenancy agreement if the eligible individual receives
10 or is entitled to receive the portion of net income through
11 distributions from an entity taxed as a disregarded entity, a
12 partnership, an S corporation, a trust, or an estate, to the
13 same extent that an eligible individual could subtract net income
14 received directly from the farm tenant rather than passing to
15 the eligible individual through an entity taxed as a disregarded
16 entity, a partnership, an S corporation, a trust, or an estate.
17 For purposes of this paragraph, net income accruing to a grantor
18 trust or to a business entity that is a disregarded entity shall
19 be deemed to have been distributed to its sole owner to the
20 extent the sole owner of such disregarded entity or trust has the
21 right to withdraw or compel distribution of such net income.

22 Sec. 2. EFFECTIVE DATE. This Act, being deemed of immediate
23 importance, takes effect upon enactment.

24 Sec. 3. RETROACTIVE APPLICABILITY. This Act applies
25 retroactively to January 1, 2024, for tax years beginning on or
26 after that date.

27 EXPLANATION

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

30 Current law excludes from the individual income tax a retired
31 farmer's total net income received pursuant to a farm tenancy
32 agreement covering real property held by the retired farmer for
33 10 or more years, if the farmer materially participated in a
34 farming business for 10 or more years. Under current law, net
35 income from a farm tenancy agreement earned by an entity taxed

1 as a partnership for federal tax purposes, an S corporation, or a
2 trust or estate is not eligible for the farm tenancy lease income
3 exclusion.

4 This bill allows the net income from a farm tenancy agreement
5 earned, received, or reported by an entity taxed as a disregarded
6 entity, partnership for federal tax purposes, an S corporation,
7 a trust, or estate to be eligible for the farm tenancy lease
8 income exclusion in the same manner as if the net income received
9 pursuant to a farm tenancy passes directly from the farm tenant
10 to the eligible individual rather than passing to the eligible
11 individual through an entity taxed as a disregarded entity, a
12 partnership, an S corporation, a trust, or an estate. The bill
13 allows net income accruing to a grantor trust or to a business
14 entity that is a disregarded entity to be deemed to have been
15 distributed to its sole owner to the extent the sole owner of
16 such disregarded entity or trust has the right to withdraw or
17 compel distribution of such net income.

18 The bill takes effect upon enactment and applies retroactively
19 to tax years beginning on or after January 1, 2024.