

**House File 2733 - Introduced**

HOUSE FILE 2733

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**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  
4 Iowa clean water farm program and property tax credit, and  
5 water quality practices loans, making appropriations, and  
6 including applicability provisions.

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

DIVISION I

WATER QUALITY MONITORING NETWORK

1 Section 1. IOWA FLOOD CENTER — APPROPRIATION. There  
2 is appropriated from the general fund of the state to the  
3 state board of regents for the fiscal year beginning July 1,  
4 2026, and ending June 30, 2027, the following amount, or so  
5 much thereof as is necessary, to be used for the purposes  
6 designated:

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

10 ..... \$ 600,000

DIVISION II

WATER QUALITY INITIATIVE

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

13 1. There is appropriated from the environment first fund  
14 created in [section 8.57A](#) to the department of agriculture  
15 and land stewardship for the fiscal year beginning July 1,  
16 2026, and ending June 30, 2027, the following amount, or so  
17 much thereof as is necessary, to be used for the purposes  
18 designated:

19 For deposit in the water quality initiative fund created in  
20 section 466B.45, for purposes of supporting the water quality  
21 initiative administered by the division of soil conservation  
22 and water quality as provided in [section 466B.42](#), including  
23 salaries, support, maintenance, and miscellaneous purposes:

24 ..... \$ 7,125,000

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

31 For deposit in the water quality initiative fund created in

1 section 466B.45 for purposes of supporting the water quality  
2 initiative administered by the division of soil conservation  
3 and water quality as provided in section 466B.42, including  
4 salaries, support, maintenance, and miscellaneous purposes,  
5 notwithstanding section 8.57, subsection 3, paragraph "c":  
6 ..... \$ 24,600,000

7 3. a. The moneys appropriated in subsections 1 and 2 shall  
8 be used to support projects in subwatersheds as designated  
9 by the division that are part of high-priority watersheds  
10 identified by the water resources coordinating council  
11 established pursuant to [section 466B.3](#).

12 b. The moneys appropriated in subsections 1 and 2 shall be  
13 used to support projects in watersheds generally, including  
14 regional watersheds, as designated by the division and  
15 high-priority watersheds identified by the water resources  
16 coordinating council established pursuant to [section 466B.3](#).

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

19 a. The demonstration projects shall utilize water quality  
20 practices as described in the Iowa nutrient reduction strategy  
21 as defined in [section 455B.171](#).

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

29 c. The division shall implement a demonstration project on  
30 a cost-share basis as determined by the division. However,  
31 except for edge-of-field practices, the state's share of the  
32 amount shall not exceed 50 percent of the estimated cost of  
33 establishing the practice as determined by the division or  
34 50 percent of the actual cost of establishing the practice,  
35 whichever is less.

1 d. The demonstration projects shall be used to educate other  
2 persons about the feasibility and value of establishing similar  
3 water quality practices. The division shall promote field day  
4 events for purposes of allowing interested persons to establish  
5 water quality practices on their agricultural land.

6 e. The division shall conduct water quality evaluations  
7 within supported subwatersheds. Within a reasonable period  
8 after accumulating information from such evaluations, the  
9 division shall create an aggregated database of water quality  
10 practices. Any information identifying a person holding a  
11 legal interest in agricultural land or specific agricultural  
12 land shall be a confidential record under [section 22.7](#).

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

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

23 7. The moneys appropriated in subsections 1 and 2 may  
24 be used by the department to support urban soil and water  
25 conservation efforts, which may include but are not limited  
26 to management practices related to bioretention, landscaping,  
27 the use of permeable or pervious pavement, and soil quality  
28 restoration. The moneys shall be allocated on a cost-share  
29 basis as provided in [chapter 161A](#).

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

35 9. Not more than 10 percent of the moneys appropriated in

1 this section may be used to pay for the costs of administering  
2 and implementing the water quality initiative by the  
3 department's division of soil conservation and water quality as  
4 provided in [section 466B.42](#) and this section.

5

DIVISION III

6

AGRICULTURAL BEST MANAGEMENT PRACTICES TAX CREDIT

7

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

9 The tax imposed under this subchapter, less the credits  
10 allowed under section 422.12, shall be reduced by an  
11 agricultural best management practices tax credit authorized  
12 pursuant to section 466B.50.

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

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

18 Sec. 5. NEW SECTION. **466B.50 Agricultural best management  
19 practices tax credit.**

20 1. As used in this section:

21 *a. "Agricultural best management practices plan"* means a plan  
22 approved by the division that provides significant improvement  
23 to water quality in this state utilizing eligible practices,  
24 and is consistent with other state and federal programs that  
25 address agriculture nonpoint source pollution management.

26 *b. "Division"* means the division of soil conservation and  
27 water quality within the department of agriculture and land  
28 stewardship.

29 *c. "Eligible practice"* means the installation of  
30 infrastructure, including conservation structures, practices,  
31 or other measures that reduce contributing nutrient loads  
32 under section 466B.43. *"Eligible practice"* also includes other  
33 practices used to reduce contributing nutrient loads including  
34 but not limited to alternative water systems, stream crossings  
35 and hardened access points, stream channel stabilizations,

1 stormwater retention ponds, surface water runoff impoundments,  
2 constructed wetlands, wetland restorations, fuel tank storage  
3 treatments, capping and plugging abandoned wells, or integrated  
4 pest management principles.

5 2. The taxes imposed by chapter 422, subchapters II and  
6 III, shall be reduced by an agricultural best management  
7 practices tax credit. The credit shall equal fifty percent of  
8 any unreimbursed costs incurred by the taxpayer during the tax  
9 year for the completion of an eligible practice that is in the  
10 approved plan of the taxpayer.

11 3. After completion of any eligible practice, the division  
12 shall inspect the completion of the eligible practice, and, if  
13 completed, then certify the eligible practice as completed.  
14 The taxpayer shall provide the certification to the department  
15 of revenue when filing a return in a manner approved by the  
16 department of revenue.

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

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

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

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

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



1 annually from the general fund of the state to the department  
2 of revenue to be credited to the Iowa clean water farm fund an  
3 amount sufficient to implement this chapter.

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

5 1. In order to qualify for the credit, an owner must  
6 first apply to the division for certification of the acres  
7 of agricultural land placed in the program. The application  
8 shall be in a manner and filed by the deadline prescribed by  
9 the division.

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

21 3. Upon certification of acres in the program, the credit  
22 shall be allowed on the certified acres for successive years  
23 without further application as long as the certified acres are  
24 legally and equitably owned by the qualifying owner or the  
25 spouse of the qualifying owner on January 1 of each successive  
26 assessment year.

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

29 1. On an annual basis, the division shall provide the  
30 department the number of certified acres in the program by  
31 county.

32 2. Annually, the department of revenue shall certify to  
33 the county auditor of each county the credit and its amount  
34 in dollars. Each county auditor shall then enter the credit  
35 against the property tax levied on each certified acre in each

1 county payable during the ensuing year, designating on the tax  
2 lists the credit as being from the Iowa clean water farm fund,  
3 and credit shall then be given to the several taxing districts  
4 in which the certified acres are located in an amount equal to  
5 the credits allowed on the taxes of the certified acres. The  
6 amount of credits shall be apportioned by each county treasurer  
7 to the several taxing districts as provided by law, in the same  
8 manner as though the amount of the credit had been paid by the  
9 owners of the certified acres. However, the several taxing  
10 districts shall not draw the funds so credited until after  
11 the semiannual allocations have been received by the county  
12 treasurer, as provided in this chapter. Each county treasurer  
13 shall show on each tax receipt the amount of credit received  
14 from the Iowa clean water farm fund.

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

16 1. The assessor shall retain a permanent file of current  
17 Iowa clean water farm property tax credit claims in the county.  
18 The assessor shall notify the department of transfer of  
19 certified acres when notice is received from the office of the  
20 county recorder.

21 2. The county recorder shall give notice to the assessor  
22 of each transfer of title filed for certified acres in the  
23 county. The notice shall describe the property transferred,  
24 the name of the person transferring the title to the property,  
25 and the name of the person to whom title to the property has  
26 been transferred.

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

29

DIVISION V

30

WATER QUALITY PRACTICES LOANS AND GRANTS PROGRAM

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

33 1. Subject to available funding, the department of natural  
34 resources shall establish and administer a water quality  
35 practices loans and grants program to provide no-interest loans



1 the rebuild Iowa infrastructure fund to the department of  
2 agriculture and land stewardship (DALs) for FY 2026-2027  
3 for purposes of supporting the water quality initiative  
4 administered by the division of soil conservation and water  
5 quality (division).

6 The bill requires the appropriated moneys to be used for  
7 watershed projects designated by the division or the water  
8 resources coordinating council, education and outreach that  
9 encourages persons who hold a legal interest in agricultural  
10 land used for farming to implement water quality practices, or  
11 contracts to coordinate the implementation of water quality  
12 improvement efforts. The bill also allows the appropriated  
13 moneys to be used by DALs to support certain urban soil and  
14 water conservation efforts.

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

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

22 DIVISION III — AGRICULTURAL BEST MANAGEMENT PRACTICES  
23 TAX CREDIT. The bill defines "agricultural best management  
24 practices plan" (plan) to mean a plan approved by the division  
25 that provides significant improvement to water quality in this  
26 state utilizing eligible practices, and is consistent with  
27 other state and federal programs that address agriculture  
28 nonpoint source pollution management.

29 The bill defines "eligible practice" to mean the  
30 installation of infrastructure, including conservation  
31 structures, practices, or other measures that reduce  
32 contributing nutrient loads under Code section 466B.43.  
33 "Eligible practice" also includes other practices used to  
34 reduce contributing nutrient loads including but not limited to  
35 alternative water systems, stream crossings and hardened access

1 points, stream channel stabilizations, stormwater retention  
2 ponds, surface water runoff impoundments, constructed wetlands,  
3 wetland restorations, fuel tank storage treatments, capping  
4 and plugging abandoned wells, or integrated pest management  
5 principles.

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

10 After completion of any eligible practice, the bill  
11 requires the division to inspect the completion of the eligible  
12 practice, and, if completed, then certify the eligible practice  
13 as completed. The taxpayer shall provide the certification  
14 to the department of revenue when filing a return in a manner  
15 approved by the department of revenue.

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

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

23 DALs is required to adopt rules pursuant to Code chapter 17A  
24 to administer the bill.

25 The Code editor is directed to designate Code section  
26 466B.50, created in the bill, as Code chapter 466B, subchapter  
27 V, entitled "Agricultural Best Management Practices Tax  
28 Credit".

29 The bill applies to tax years beginning on or after January  
30 1, 2027.

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

35 The bill specifies a qualifying owner shall be allowed

1 a CWF credit on agricultural land equal to \$5 per acre on  
2 property placed in the Iowa clean water farm program that has  
3 been certified by the division. An "owner" means an owner as  
4 defined in Code section 425A.2.

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

15 The administration and apportionment of the CWF credit is  
16 similar to the agricultural land credit in Code chapter 426.  
17 The CWF credit is allowed on the certified acres for successive  
18 years without further application as long as the certified  
19 acres are owned by the qualifying owner or the spouse of the  
20 qualifying owner.

21 The bill appropriates from the general fund of the state the  
22 amounts necessary to fund the CWF credit.

23 The bill applies to assessment years beginning on or after  
24 January 1, 2027.

25 DIVISION V — WATER QUALITY PRACTICES LOANS AND GRANTS  
26 PROGRAM. The bill provides that the water quality practices  
27 loans and grants program (program) be administered by the  
28 department of natural resources (DNR) and that the program is  
29 subject to available funding.

30 The bill authorizes DNR to provide no-interest loans  
31 and grants to any person for the construction, renovation,  
32 improvement, or equipping of facilities or structures that  
33 implement agricultural best management practices intended to  
34 prevent pollution of state waters.

35 The bill also authorizes DNR to provide no-interest loans

1 and grants to local government entities that have developed  
2 no-interest loan programs or other incentives to facilitate  
3 the construction, renovation, improvement, or equipping of the  
4 facilities or structures. In addition, the bill authorizes  
5 assistance to financial institutions that are working with  
6 local governments to establish such local loan or incentive  
7 programs.

8 The bill requires DNR to adopt rules for the program and to  
9 determine the terms and conditions of any loan or grant awarded  
10 under the program.