

House File 2666 - Introduced

HOUSE FILE 2666

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 2503)

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:

1 Section 1. Section 422.7, subsection 14, paragraph e, Code
2 2024, is amended by striking the paragraph and inserting in
3 lieu thereof the following:

4 e. Net income from a farm tenancy agreement earned,
5 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 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,
12 a partnership, an S corporation, a trust, or an estate, to
13 the same extent that an eligible individual could subtract
14 net income received directly from the farm tenant rather than
15 passing to the eligible individual through an entity taxed
16 as a disregarded entity, a partnership, an S corporation, a
17 trust, or an estate. For purposes of this paragraph, net
18 income accruing to a grantor trust or to a business entity
19 that is a disregarded entity shall be deemed to have been
20 distributed to its sole owner to the extent the sole owner of
21 such disregarded entity or trust has the right to withdraw or
22 compel distribution of such net income.

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

25 Sec. 3. RETROACTIVE APPLICABILITY. This Act applies
26 retroactively to January 1, 2023, for tax years beginning on
27 or after that date.

28 EXPLANATION

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

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

1 current law, net income from a farm tenancy agreement earned by
2 an entity taxed as a partnership for federal tax purposes, an S
3 corporation, or a trust or estate is not eligible for the farm
4 tenancy lease income exclusion.

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

20 The bill takes effect upon enactment and applies
21 retroactively to tax years beginning on or after January 1,
22 2023.