

SENATE/HOUSE FILE _____
BY (PROPOSED GOVERNOR BILL)

A BILL FOR

1 An Act relating to the beginning farmer tax credit program, by
2 modifying participation and lease agreement requirements and
3 tax credit amounts, and including effective date provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 16.58, subsections 1, 2, and 3, Code
2 2021, are amended to read as follows:

3 1. "*Agricultural assets*" means agricultural land,
4 agricultural improvements, depreciable agricultural property,
5 crops, or livestock.

6 2. "*Agricultural ~~improvements~~ improvement*" means any
7 improvements, including buildings, structures, or fixtures
8 suitable for use in farming, ~~which are~~ if located on any size
9 parcel of agricultural land.

10 3. "*Agricultural land*" means land suitable for use in
11 farming, any portion of which may include an agricultural
12 improvement.

13 Sec. 2. Section 16.77, subsection 2, Code 2021, is amended
14 to read as follows:

15 2. "*Agricultural lease agreement*" or "*agreement*" means an
16 agreement for the transfer of agricultural assets, ~~that must at~~
17 ~~least include a lease of agricultural land,~~ from an eligible
18 taxpayer to a qualified beginning farmer as provided in section
19 16.79A.

20 Sec. 3. Section 16.79A, subsection 1, Code 2021, is amended
21 to read as follows:

22 1. a. A beginning farmer tax credit is allowed only for
23 agricultural assets that are subject to an agricultural lease
24 agreement entered into by an eligible taxpayer and a qualifying
25 beginning farmer participating in the beginning farmer tax
26 credit program established pursuant to section 16.78.

27 b. The tax credit is allowed regardless of whether the
28 principle agricultural asset is soil, pasture, or a building or
29 other structure used in farming.

30 Sec. 4. Section 16.79A, subsection 2, Code 2021, is amended
31 to read as follows:

32 2. The agreement must include the lease of agricultural
33 land located in this state, ~~including any~~ or agricultural
34 improvements located in this state, and may provide for the
35 rental of agricultural equipment as defined in section 322F.1.

1 Sec. 5. Section 16.79A, subsection 3, paragraph c, Code
2 2021, is amended to read as follows:

3 c. The agreement must be for at least two years, but not
4 more than five years. The agreement may be renewed any number
5 of times by the eligible taxpayer and qualified beginning
6 farmer for a term of at least two years, but not more than five
7 years. However, an eligible taxpayer shall not participate in
8 the program for more than fifteen years.

9 Sec. 6. Section 16.81, subsection 4, Code 2021, is amended
10 by striking the subsection.

11 Sec. 7. Section 16.81, subsection 6, Code 2021, is amended
12 to read as follows:

13 6. The authority shall approve all beginning farmer tax
14 credit applications that meet the requirements of this subpart
15 and make tax credit awards on a first-come, first-served basis,
16 subject to the limitations in section 16.82A. An eligible
17 taxpayer may apply and be approved to enter into agreements
18 with different qualified beginning farmers.

19 Sec. 8. Section 16.82, subsection 5, Code 2021, is amended
20 to read as follows:

21 5. The amount of tax credits that may be awarded to an
22 eligible taxpayer for any one year under ~~all agreements~~ an
23 agreement shall not exceed fifty thousand dollars.

24 Sec. 9. BEGINNING FARMER TAX CREDIT PROGRAM — FORMER
25 PERIOD OF PARTICIPATION EXTENDED. An eligible taxpayer first
26 participating in the beginning farmer tax credit program on or
27 after January 1, 2019 as provided in 2019 Iowa Acts, chapter
28 161, for a tax year beginning on or after that date, may
29 participate in the program for not more than fifteen years in
30 the same manner as provided in section 16.79A, as amended by
31 this Act.

32 Sec. 10. EFFECTIVE DATE. This Act takes effect January 1,
33 2022.

34 EXPLANATION

35 The inclusion of this explanation does not constitute agreement with

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

2 GENERAL. This bill provides for the participation of an
3 eligible taxpayer (taxpayer) and qualified beginning farmer
4 (beginning farmer) in the beginning farmer tax credit program
5 (program) (Code section 16.81(4)). Under the program, a tax
6 credit is awarded to a taxpayer who transfers agricultural
7 assets to a beginning farmer by agricultural lease agreement
8 (agreement). The transferred agricultural assets include
9 agricultural land and improvements, as well as depreciable
10 agricultural property. The agreement must be approved by the
11 Iowa finance authority (authority) (Code section 16.79A) who
12 issues a tax credit certificate to the taxpayer on an annual
13 basis for the period of the agreement (Code section 16.81).

14 LEASE OF AGRICULTURAL LAND WHICH INCLUDES IMPROVEMENTS
15 (BUILDINGS). The bill provides that the agreement may provide
16 for lease of any size parcel of agricultural land and an
17 improvement such as a building (amended Code section 16.58(1),
18 (2), and (3)). The principal agricultural asset transferred in
19 the agreement may be agricultural land or a building or other
20 structure used in farming (amended Code section 16.79A(1)).

21 PARTICIPATION IN THE PROGRAM — FROM 10 TO 15 YEARS.
22 The bill increases from 10 to 15 the number of years that
23 a taxpayer may participate in the program. (amended Code
24 section 16.79A(3)). The extended years of participation
25 apply retroactively to a taxpayer previously approved by the
26 authority to participate in the program (amendment Code section
27 16.82(5)).

28 PARTICIPATION IN THE PROGRAM — TAX CREDIT CERTIFICATES
29 AND AWARDS. The bill provides that a taxpayer may claim
30 multiple tax credits under the program (amended Code sections
31 16.79A(3) and 16.81(6)) so long as each tax credit is based
32 on an agreement approved by the authority (amended Code
33 section 16.81(6)). It also provides that the current \$50,000
34 limitation on tax credits that can be claimed by a taxpayer
35 applies to each rather than all such agreements (amended Code

1 section 16.82(5)).

2 BACKGROUND. Generally, in order to qualify as a beginning
3 farmer, a person must have a low or moderate net worth, be able
4 to successfully engage in farming, and promise to materially
5 participate in the farming operation (Code sections 16.58(6)
6 and (10), and 16.79(2)). The amount of the tax credit depends
7 upon the type of payment arrangement provided in the agreement,
8 including a fixed amount (5 percent of cash rent payment) or
9 some form or risk-sharing between the parties (15 percent of
10 the market price of the commodity produced on the leasehold).
11 A taxpayer may claim the tax credit in the applicable tax year
12 up to the taxpayer's liability. Any amount of the unused tax
13 credit may be applied to reduce the taxpayer's liability for
14 each of the following 10 years until depleted, whichever comes
15 first; and cannot be refunded (Code section 16.82(7)).

16 EFFECTIVE DATE. The bill takes effect on January 1, 2022.