

2023 Agricultural Tax Update

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Beneficial Reporting Requirements (Corporate Transparency Act)

Purpose of Beneficial Ownership Reporting

- The Corporate Transparency Act (CTA) was enacted as part of the Anti-Money Laundering Act of 2020 in the National Defense Authorization Act for Fiscal Year 2021, Public Law 116–283.
- The CTA was enacted to prevent money laundering, corrupt financial transactions, and financial terrorism. **Beneficial owners for ~32.6 million entities must be reported to FINCEN, a bureau of U.S. Treasury.**



Reporting Companies

- The rule generally requires reporting by entities created by the filing of a document with a secretary of state or any similar office under the law of a state or Indian tribe.
- This generally means that limited liability partnerships, limited liability limited partnerships, business trusts, and most limited partnerships are required to file reports if they are not otherwise exempted. Single-member LLCs, disregarded for tax purposes, **are not exempt** from the reporting requirements.

Beneficial Ownership Reporting

Entity Type	Reporting Entity (unless exempted?)
LLC	Yes
SMLLC	Yes
General Partnership	No
Sole Proprietorship	Not unless corporation or LLC
Limited Partnership	Yes
S Corporation	Yes
C Corporation	Yes
Trust	Not unless required to file with Secretary of State, but trustees or beneficiaries may be beneficial owners

Exceptions to Reporting

- The FinCEN rule lists 23 types of entities that are specifically **excepted** from reporting requirements.
- These are generally excluded from the reporting requirements because other laws regulate these entities and separately require disclosure of BOI.
- **Large Operating Companies** are exempt if:
 - They employ more than 20 full-time employees in the United States.
 - They have filed a Federal U.S. income tax return for the previous year that showed more than \$5,000,000 in gross receipts or sales.
 - They operate from physical premises in the United States.
- **Nonprofits** are generally exempt from reporting.

Effective Date

- Reporting companies created or registered **before** January 1, 2024, will have one year (**until January 1, 2025**) to file their initial reports.
- Reporting companies created or registered **on or after** January 1, 2024, will have **30 days after creation or registration** to file their initial reports (could be extended by 60 days by pending rule).
- FinCEN will begin accepting reports electronically on January 1, 2024. **No reports may be filed before that time.** The person filing the report will be required to certify that the report is true, correct, and complete.

When Must Updates Be Filed?

- Once a reporting company has filed its first report, it must file a new report any time the reported information changes, making the prior report inaccurate. **Reporting companies will have 30 days to report any changes or updates to reported information.**
- The 30 days begins after the company becomes aware of or has reason to know of an inaccuracy in a prior report.

Who are Beneficial Owners?

- In general, **beneficial owners** are individuals who:
 1. directly or indirectly exercise “**substantial control**” over the reporting company, or
 2. directly or indirectly **own or control 25%** or more of the “ownership interests” of the reporting company.

When Must Applicants Be Reported?

- Companies created or registered **on or after January 1, 2024**, are required to report the **company applicants**, in addition to beneficial owners.
- **Applicants** include:
 - the individual who directly files the document that creates, or first registers, the reporting company; and
 - the individual that is primarily responsible for directing or controlling the filing of the relevant document.
- Companies created or registered **before January 1, 2024**, are required to report only beneficial owners.

Penalties for Noncompliance

- The CTA authorizes reporting failure penalties of not more than \$500 for each day that the violation continues or has not been remedied, **up to \$10,000**.
- The statute also calls for possible imprisonment of up to two years.
- In the preamble to the rule, FinCEN states that it “intends to prioritize education and outreach to ensure that all reporting companies and individuals are aware of and on notice regarding their reporting obligations.”

Small Business Compliance Guide

https://www.fincen.gov/sites/default/files/shared/BOI_Small_Compliance_Guide_FINAL_Sept_508C.pdf

Small Entity Compliance Guide





Planning for Sunset of Tax Provisions

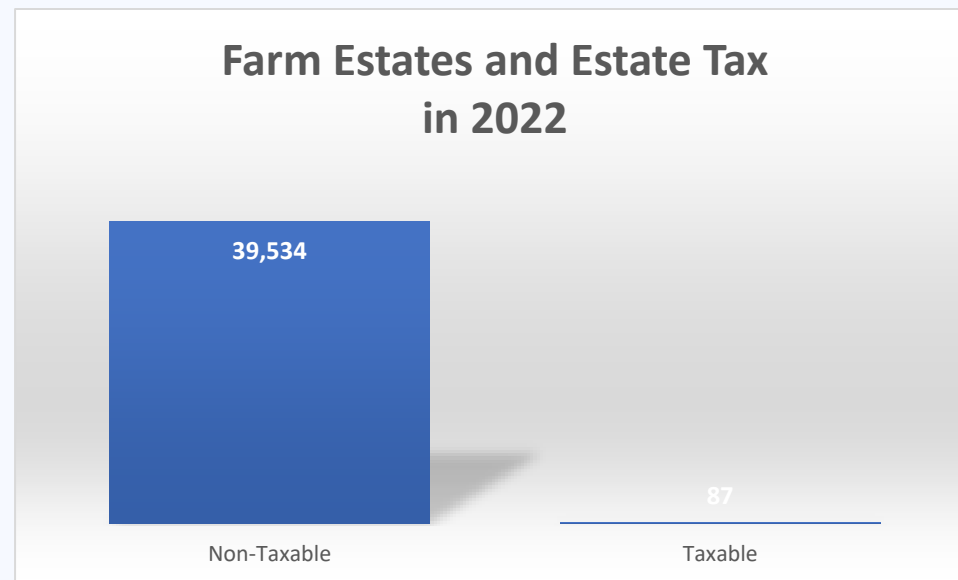
Exemptions Are Currently High

- 2016 = \$5.45 million
- 2017 = \$5.49 million
- 2018 = \$11.2 million
- 2019 = \$11.4 million
- 2020 = \$11.58 million
- 2021=\$11.7 million
- 2022=\$12.06 million
- **2023=\$12.92 million**

40 Percent

Almost Noone Pays it in 2023

- The USDA-ERS recently estimated that of the projected 39,534 estates created from principal farm operator deaths in 2022, only 305 (0.77 percent) will be required to file an estate tax return, and only 87 (0.22 percent) will likely owe Federal estate tax.



But It's Scheduled to End Soon...

- Increased exemption amount was created by the TCJA.
 - It was only temporary.
- **2026=Resets to \$5 million, indexed for inflation (~\$7 million)**



Generally, No Clawback for Pre-2026 Gifts

- In T.D. 9884 (2019), IRS said there would be no clawback for lifetime gifts made before the exemption declines.
- Existing regulations would also apply DSUE in place at time of first spouse to die.
 - **This makes portability election more, not less, important.**
 - Would (in the absence of contrary future guidance) lock in the higher amount of exclusion for future years, even if exclusion decreases.

Example – Lifetime Gift

- Leeland makes a \$12 million lifetime gift in 2023.
- He files Form 709. Leeland dies in 2026, after the exemption has reset to ~\$7 million.
- **Under T.D. 9884, Leeland's full gift remains sheltered by the exemption in place in 2023.**

Example – Lifetime Gift

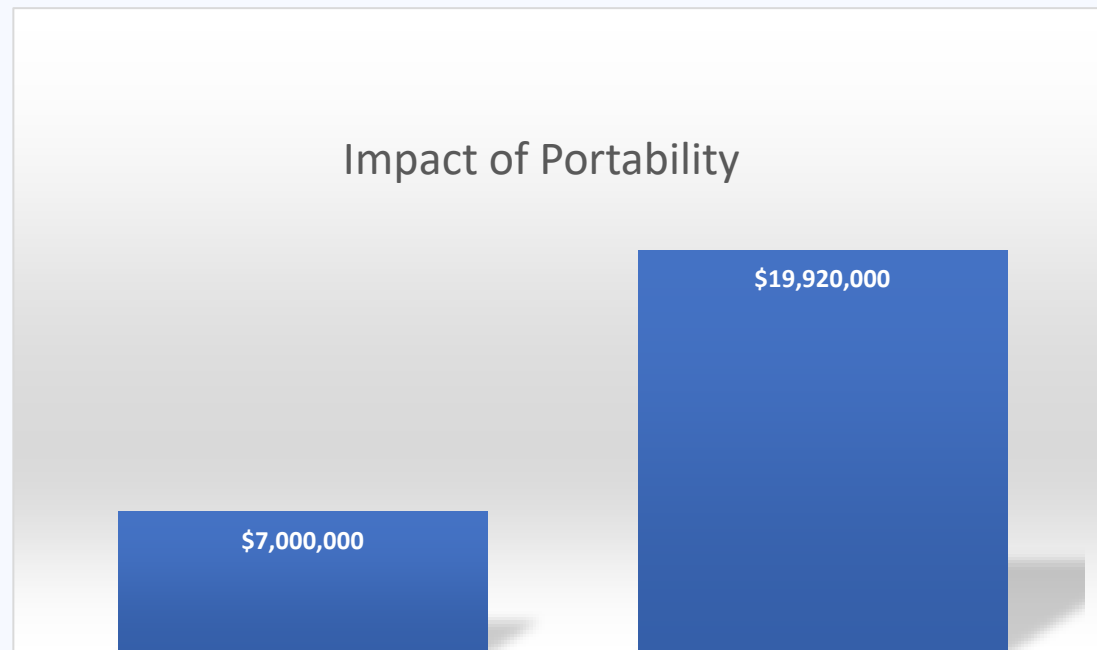
- Laurie gives a \$7 million gift in 2023. She files Form 709.
- Laurie dies in 2026 after the exemption resets to ~\$7 million.
- Although Laurie could have gifted up to \$12.92 million in 2023, she has no exclusion remaining at her death.
- **Any property passed to her heirs at death will be subject to a 40% estate tax.**

Example – Portability

- Lucy dies in 2023, leaving a \$12.92 million deceased spouse unused exclusion.
- Lucy's surviving spouse, Syd, elects portability as the executor.
- Syd dies in 2026 after the exemption resets to ~\$7 million.
- **Current regulations would allow Lucy's \$12.92 million DSUE to apply to Syd's estate.**
- Syd would therefore have **~\$19.92 million exemption.**

Example – Portability

- If Syd had not elected portability when Lucy died, Syd would have **only a ~\$7 million exemption** at his death. Get a letter in the file!



Late Portability Election Extended to Five Years

- Rev. Proc. 2022-32

- Under the new procedure, which supersedes Rev. Proc. 2017-34, an extension request must be made **on or before the fifth anniversary of the decedent's death.**
- This simplified method, which doesn't require a user fee, should be used in lieu of the letter ruling process.

Income Tax Provisions Set to Expire at the End of 2025

- Lower Individual tax rates
- Increased standard deduction
- Increased child tax credit
- 20 percent QBI deduction
- Employer-Provided meals
- Personal Exemptions will return
- SALT limit will end
- Home mortgage deduction limit will increase
- Miscellaneous Itemized deductions no longer suspended

Considering Scheduled Tax Increases

- Consider scheduled sunset when making depreciation and expensing decisions.





Hot off the Press: Estimated Tax Update

Special Rule for Qualifying Farmers

- Calendar year taxpayers who are qualifying farmers are exempt from a penalty for failing to pay estimated taxes if they meet any of the following requirements:
 - They file their return and pay all tax due by March 1, OR
 - Their income tax withholding will be at least $66\frac{2}{3}\%$ of the total tax shown on their current year tax return or 100% of the total tax shown on their prior year return OR
 - They make a single estimated tax payment by January 15 following the tax year.

Qualifying Farmer Determination

- Taxpayers are qualifying “farmers” for purposes of this special rule if:
 - The individual’s “gross income from farming” is at least $66\frac{2}{3}$ percent of their “total gross income” from all sources **for the taxable year** OR
 - The individual’s gross income from farming shown on the return for **the preceding taxable year** was at least $66\frac{2}{3}$ percent of their total gross income from all sources

How IRS Used to See Gross Income

- Net gain from the sale of animals on Form 4797 is included in gross income from farming.

Machinery and Farmland Sales Not Included

It is important to note that gain from the sale of machinery or farmland is not considered to be gross income from farming for purposes of the estimated tax rules.

New Approach In 2023 Publication 225 😊

Not binding
authority, but no
binding authority
requires different
result.

Gross income from farming is the total of the following amounts from your tax return.

- Gross farm income from Schedule F (Form 1040).
- Gross farm rental income from Form 4835.
- Gross farm income from Schedule E (Form 1040), Parts II and III.
- Gains from the sale of livestock used for draft, breeding, sport, or dairy purposes reported on Form 4797.
- Gains from the sale of depreciable farm equipment reported on Form 4797.

For more information about income from farming, see [chapter 3](#).

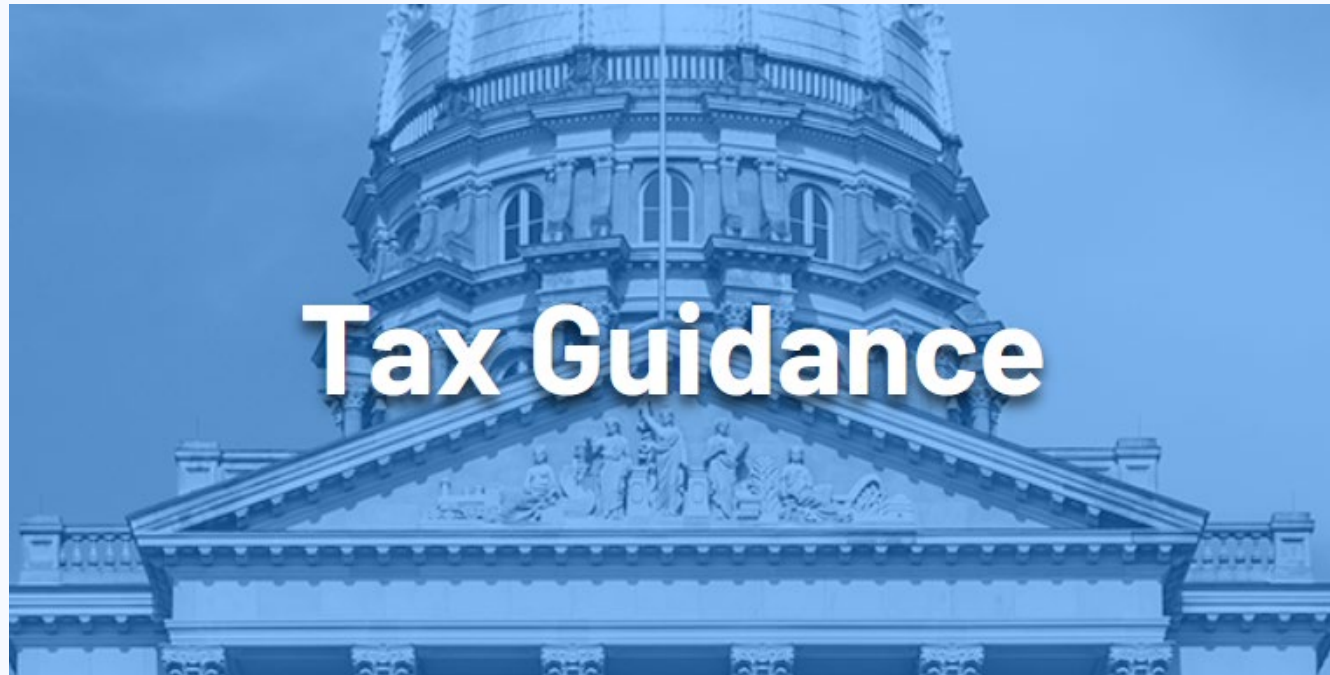


Farm income does not include:

- *Wages you receive as a farm employee,*
- *Income you receive from contract grain harvesting and hauling with workers and machines you furnish, and*
- *Gains you receive from the sale of farmland.*

New Rules for Retired Farmers in Iowa

- Proposed rules for income exclusion for farm leases and capital gain were issued in late July.



Retired Farmer Lease Income Exclusion

- The new law amended Iowa Code § 422.7 by adding a new subsection to **allow some “eligible individuals” to elect to exclude from Iowa income**:
 - the net income received from a “**farm tenancy agreement**”
 - covering real property held by the “**eligible individual**” for 10 or more years
 - if the eligible individual “**materially participated**” in a “**farming business**” for 10 or more years.

Retired Farmer – “Eligible Individual”

- An individual who is:
 - **Disabled** or **55 years of age or older** at the time the election is made
 - Who **no longer materially participates in a farming business** at the time the election is made, and
 - Who, as **an owner-lessor**, is a party to a “**farm tenancy agreement**”
- Legislative fix eliminates 469(h)(3) from definition (SF 565)
 - (5/8 years)

Retired Farmer Lease Income Exclusion Summary

- It's an **election**
- Must be an **individual**
- Must be **disabled** or **55 years old** or older
- Must **no longer materially participate** in a farming business
- Must **have materially participated** in a farming business for 10 years or more
- Must **have held the property** covered by the farm tenancy agreement for 10 years or more
- Must be a **party to the farm tenancy agreement** as an **owner-lessor**
- The agreement **must be in writing**
- Must not have made an election for a **single lifetime exemption** to exclude capital gain from Iowa income
- Will not be eligible for the **Beginning Farmer Tax Credit** or the **Iowa Capital Gain Deduction** in future years

“Held...for 10 or more years”

- Includes holding period for property relinquished in like-kind exchange or involuntary conversion to the extent basis is determined based upon that property. IRC § 1223.

Material Participation (302.87(2))

- In determining whether a particular taxpayer has material participation in a business, **participation of the taxpayer's spouse in a business must also be taken into account.**
 - Activity done by a taxpayer's spouse is considered activity done by the taxpayer. The spouse's participation in the business must be taken into account even if the spouse does not file a joint state return with the taxpayer or if the spouse has no ownership interest in the business.
- The activities of other family members, employees, or consultants are not attributed to the taxpayer to determine material participation

Material Participation (302.87(2)) – Cash Rent

- A farmer who rents out farmland on a cash basis as the only activity in the farming business will generally **not be considered to be materially participating** in the farming activity.
- The burden is on the farmer landlord to show that the farmer landlord materially participated in the cash-rent farm activity.

Material Participation (302.87(2)) – Crop Share

- **A farmer landlord is subject to self-employment tax on net income from a crop-share arrangement with a tenant.** The landlord is considered to be materially participating with the tenant in the crop-share activity if the landlord meets one of the four following tests:

TEST 1: The landlord does any three of the following: (1) pays or is obligated to pay for at least half the direct costs of producing the crop; (2) furnishes at least half the tools, equipment, and livestock used in producing the crop; (3) consults with the tenant; and (4) inspects the production activities periodically.

TEST 2: The landlord regularly and frequently makes, or takes part in making, management decisions substantially contributing to or affecting the success of the enterprise.

TEST 3: The landlord worked 100 hours or more spread over a period of five weeks or more in activities connected with crop production.

TEST 4: The landlord has done tasks or performed duties which, considered in their total effect, show that the landlord was materially and significantly involved in the production of the farm commodities.

Material Participation (302.87(2)) – CRP

- If an individual is receiving CRP payments and is not considered to be retired from farming, the CRP payments are **subject to self-employment tax**. If individuals actively manage farmland placed in the CRP program by directly participating in seeding, mowing, and planting the farmland or by overseeing these activities and the individual is paying self-employment tax, the owner:
 - **Will be considered to be materially participating in the farming activity.**
 - However, if an individual's only activity in the farming business is participation in a conservation reserve program, then that activity will not be considered when determining if the individual is a retired farmer.
 - Won't stop you from being "retired" if that's your only activity.

Material Participation (302.87(2)) – Recordkeeping

- Taxpayers are required to provide proof of services performed and the hours attributable to those services. Detailed records should be maintained by the taxpayer, on as close to a daily basis as possible at or near the time of the performance of the activity, to verify that the material participation test has been met. However, material participation can be established by any other reasonable means, such as approximating the number of hours based on appointment books, calendars, or narrative summaries.
- **Records prepared long after the activity, in preparation of an audit or proceeding, are insufficient to establish participation in an activity.**

Farm Tenancy Agreement

- A **WRITTEN agreement** outlining the rights and obligations of an owner-lessor and a tenant-lessee where the tenant-lessee has a farm tenancy as defined in **Iowa Code § 562.1A**:
- A leasehold interest in land held by a person who produces crops or provides for the care and feeding of livestock on the land, including by grazing or supplying feed to the livestock.



Restrictions: Income Passed Through from Entities

- Net income from a farm tenancy agreement earned, received, or reported by an entity **taxed as a partnership for federal tax purposes**, an **S corporation**, or a **trust or estate** is not eligible for the election and deduction in this subsection, even if such net income ultimately passes through to an eligible individual.
 - Must wait for regulations, but **disregarded** entities like SMLLCs and RLTs should not prevent retired farmer from qualifying.

Single Lifetime Election - Rules

- Individuals who make an election (on a form prescribed by the Department) under this section **may not**:
 - Apply the Iowa Capital Gain Deduction to proceeds from the sale of real property or livestock **in the current or succeeding tax years**
 - Take the Beginning Farmer Tax Credit **in the current or succeeding tax years**
 - A retired farmer may not utilize an **unclaimed amount** of a beginning farmer tax credit in the same tax year the retired farmer is making an election or in any subsequent tax year
- Election is irrevocable once made.

Joint Ownership with a Spouse

- A retired farmer who owns real property used in a farming business jointly with a spouse and makes the election described in this subrule or the election described in subrule 302.88(3) may only exclude qualifying income from that real property to the extent of the retired farmer's ownership interest held in that real property.
- **The retired farmer's ownership interest does not include the ownership interest of the retired farmer's spouse.**
- If each spouse qualifies as a retired farmer, each spouse may make different elections on the property they jointly own to the extent of their respective ownership interests.

Joint Ownership with Spouse – Example

EXAMPLE 6: Farmer M and Farmer N, both retired farmers, are married and own Plot 9 jointly. They each have a 50 percent ownership interest in Plot 9. They both qualify to make the election to exclude qualifying capital gains or net income from a farm tenancy agreement. They file jointly for Iowa tax purposes. In 2023, Farmer M and Farmer N receive \$50,000 total in net income from a farm tenancy agreement covering Plot 9. Farmer M makes the election to exclude net income from a farm tenancy agreement. Farmer N does not make an election. Farmer M is eligible to exclude \$25,000, 50 percent of the net income from Plot 9, from net income. Farmer N must include \$25,000, 50 percent of the net income from the farm tenancy agreement, in net income. Farmer N is still eligible to make an election to exclude qualifying capital gains or net income from a farm tenancy agreement in a subsequent tax year.

Retired Farmer Lease Income Exclusion Summary

2023 IA 125 - Farm Tenancy Exclusion

Part I: Eligible Individual Election

1. Is the taxpayer an eligible individual? See instructions for definition.
NoContinue to Part II, line 1
YesContinue to Part I, line 2. If the taxpayer is both an eligible individual and a surviving spouse, the taxpayer must complete Part II.
2. Is the taxpayer making a lifetime election to exclude net income from a farm tenancy agreement covering real property? This will disqualify the taxpayer from claiming the beginning farmer tax credit or electing to deduct capital gains from the sale of real property used in a farming business, cattle, horses, or other breeding livestock in this tax year or in any subsequent tax year.
NoThe taxpayer is not eligible to take this exclusion. Stop.
YesContinue to Part I, line 3
3. Did the taxpayer claim the beginning farmer tax credit in this tax year?
NoContinue to Part I, line 4
YesThe taxpayer is not eligible to take this exclusion. Stop.
4. Did the taxpayer, as a retired farmer, elect to exclude capital gains from the sale of real property used in a farming business, cattle, horses, or other breeding livestock in this tax year or any prior tax year? See instructions.
NoContinue to Part III, line 1
YesThe taxpayer is not eligible to take this exclusion. Stop.

2023 IA 125 - Farm Tenancy Exclusion

Part II: Surviving Spouse of an Eligible Individual

1. Is the taxpayer the surviving spouse of an eligible individual?
NoThe taxpayer is not eligible for this exclusion. Stop.
YesContinue to Part II, line 2
2. Provide the date of the spouse's death (mm/dd/yyyy): _____
3. Did the decedent make an election to exclude net income from a farm tenancy agreement covering real property prior to death?
NoContinue to Part II, line 4
YesSee instructions before continuing to Part III, line 1.
4. Did the decedent make an election to exclude capital gains from the sale of real property, cattle, horses, or other breeding livestock prior to death?
NoSee instructions about making an election on the spouse's behalf. Stop.
YesSee instructions

CAPITAL GAIN DEDUCTION MODIFICATIONS

Iowa Capital Gain Deduction – 2023

- Net capital gains from the sale of real property used in a farming business may be excluded from the owner's Iowa net income if the owner held the real property used in a farming business for ten or more years and materially participated in a farming business for at least ten years.
- If the taxpayer is a retired farmer, the taxpayer must make the single lifetime election to exclude qualifying capital gains. It is not required that the property be located in Iowa for the owner to qualify for the deduction.

OR

- The taxpayer has held the **real property used in a farming business** which is sold to a relative of the taxpayer (holding period and material participation do not matter).

Relative (Three Ways to Qualify)

- A. The individual is related to the taxpayer by consanguinity or affinity within the second degree as determined by common law.
 - Brother, sister, grandparent, grandchild, daughter-in-law, son-in-law, parent-in-law (watch for rules)
- B. The individual is a lineal descendent of the taxpayer.
 - Children of the taxpayer, including legally adopted children and biological children, stepchildren, grandchildren, great-grandchildren, and any other lineal descendent of the taxpayer.
- C. An entity in which an individual who satisfies the conditions of either A or B has a legal or equitable interest as an **owner, member, partner, or beneficiary**.
 - No percentage requirement!

Retired Farmer

- An individual who is disabled or who is 55 years of age or older and who **no longer materially participates** in a farming business when an exclusion and deduction is claimed under this subsection.
- 5/10 years rule and participation of spouse do not count when determining whether farmer is **retired**.
- If the taxpayer is a retired farmer and materially participated in a farming business for ten or more years **in the aggregate**, then the taxpayer will meet the material participation requirements.

Iowa Capital Gain Deduction – Retired or Disabled Farmers

- The law also allows retired or disabled farmers to deduct gain from the sale of breeding, draft, dairy or sport cattle or horses (held for 24 months or more) if the taxpayer:
 - **Materially participated in the farming business for five of the eight years preceding retirement or disability, and**
 - **Sold all or substantially all of the taxpayer's interest in the farming business when the election is made.**
 - For purposes of this subrule and subrule 302.87(6), “substantially all” means 90% of the interest in the farming business.
 - Proper records should be kept showing purchase and birth dates of breeding livestock. The absence of records may make it impossible for the owner to show that the owner held a particular animal for the necessary holding period.
- The same rule applies to the sale of other breeding livestock held for a period of 12 months or more.

Single Lifetime Election

- A retired farmer may make a single lifetime election on a form prescribed by the department to exclude all qualifying capital gains from the sale of real property used in a farming business and the sale of certain livestock described in subrules 302.87(5) and 302.87(6).
- If a retired farmer makes the election described in this subrule, the retired farmer is not eligible to make the election to exclude the net income received pursuant to a farm tenancy agreement or claim the beginning farmer tax credit under Iowa Code section 422.11E in the same tax year or any subsequent tax year.
- The election is irrevocable once made.

Forms

2023 IA 100G - Iowa Capital Gains Deduction Retired Farmers

Iowa Department of
REVENUE

2023 IA 100G

Iowa Capital Gain Deduction – Retired Farmers

tax.iowa.gov

Name(s) SSN

Purpose of form: This form is for taxpayers who are retired farmers and want to make the single lifetime election to claim the capital gain deduction from the sale of real property, cattle, horses, or other breeding livestock used in a farming business. This form should be used for sales occurring on or after January 1, 2023. Taxpayers that are not retired farmers, surviving spouses of retired farmers, or are not making the lifetime election should use form IA 100H instead of this form.

2023 IA 100G - Iowa Capital Gains Deduction

Retired Farmers

Part I: Retired Farmer Election

1. Is the taxpayer a retired farmer? See instructions for definition.
No Continue to Part II, line 1.
Yes Continue to Part I, line 2. If the taxpayer is both a retired farmer and a surviving spouse, the taxpayer must complete Part II.
2. Is the taxpayer making a lifetime election to exclude qualifying capital gains from the sale of cattle, horses, breeding livestock, or real property used in a farming business? This will disqualify the taxpayer from claiming the beginning farmer tax credit or electing to deduct income from a farm tenancy agreement in this tax year or in any subsequent tax year.
No Complete form IA 100H, if eligible. Stop.
Yes Continue to Part I, line 3.
3. Did the taxpayer claim the beginning farmer tax credit the current tax year?
No Continue to Part I, line 4.
Yes Sale is not eligible for Iowa capital gain deduction. Stop.
4. Did the taxpayer elect to exclude income from a farm tenancy agreement in this tax year or any prior tax year? See instructions.
No Continue to Part III, line 1.
Yes Sale is not eligible for Iowa capital gain deduction. Stop.

Mutually Exclusive Election

Retired Farmers must decide when filing 2023 returns:

**Farm Tenancy
Income Exclusion**

OR

**Iowa Capital Gain
Deduction**

No Election

Surviving Spouse – Applies to Both Elections

- Surviving spouses. A surviving spouse of a deceased retired farmer may be eligible to make an election to exclude capital gain or exclude rental income **pursuant to the election made by the retired farmer prior to death.**
- A surviving spouse of a deceased retired farmer may make the election on behalf of the deceased retired farmer that the retired farmer would have been eligible to make prior to death.

Surviving Spouse – Applies to Both Elections

- If a retired farmer made an election prior to death, the surviving spouse of the deceased retired farmer may exclude the qualifying income pursuant to the election made by the retired farmer prior to death.
- A surviving spouse cannot change the election the deceased retired farmer made. Any election made by the retired farmer prior to death is binding on all **real property used in a farming business** owned by the retired farmer at the time of death.
- This election is only binding on the retired farmer and the surviving spouse.

Surviving Spouse – Example

EXAMPLE 2: Farmer C, a retired farmer, owned real property used in a farming business, Plot 2. Farmer C was married to Spouse D. Farmer C met the material participation and holding period requirements. Farmer C made the election to exclude net income from a farm tenancy agreement described in subrule 302.88(3) from Plot 2. Farmer C then died. Spouse D inherited Plot 2 from Farmer C. Spouse D does not qualify to make an election. Spouse D may exclude net income from a farm tenancy agreement from Plot 2 pursuant to the election Farmer C made before death. Spouse D may not change the election to exclude qualifying capital gains or claim the beginning farmer tax credit.

Surviving Spouse – Disclaimer

- A surviving spouse of a deceased retired farmer **may disclaim the election made by the retired farmer.**
- If a surviving spouse of a deceased retired farmer makes this disclaimer, the surviving spouse is not eligible to deduct qualifying income pursuant to an election made by the retired farmer prior to death.
- A surviving spouse of a deceased retired farmer shall make this disclaimer on a form prescribed by the department and file the form with the surviving spouse's income tax return.

Surviving Spouse – Disclaimer

- The surviving spouse may make the disclaimer in the tax year of the retired farmer's death or in the tax year immediately following.
- If the surviving spouse excluded income on the surviving spouse's return for the tax year of the retired farmer's death pursuant to the election the retired farmer made and wishes to disclaim the election, then the surviving spouse must amend the surviving spouse's return to include that income in Iowa net income and adjust tax liability accordingly.
- If no disclaimer is made by the due date, including extensions, of the surviving spouse's income tax return for the tax year immediately following the tax year of the retired farmer's death, then the surviving spouse is no longer eligible to make a disclaimer and is bound by the election the retired farmer made. **The disclaimer is irrevocable.**

Surviving Spouse – Example

EXAMPLE 5: Farmer K, a retired farmer, owned real property used in a farming business, Plot 8. Farmer K was married to Spouse L. Farmer K met the holding period and material participation requirements. Farmer K made the election to exclude net income from a farm tenancy agreement described in subrule 302.88(3) from Plot 8. Farmer K then died. Spouse L inherited Plot 8 from Farmer K. Spouse L independently qualifies as a retired farmer to make an election described in this subrule or the election described in subrule 302.88(3). Spouse L may exclude net income from a farm tenancy agreement from Plot 8 pursuant to the election Farmer K made before death, or Spouse L may disclaim that election and make Spouse L's own election because Spouse L qualifies as a retired farmer.

A surviving spouse of a retired farmer may make a single lifetime election if the surviving spouse independently qualifies as a retired farmer.

Holding Period:

JTRS - both the husband and wife are deemed to own 100% of the farmland.

TIC – only 50% holding period met.

What about installment sales?

- This division of this Act applies to sales consummated on or after the effective date of this division of this Act, and **sales consummated prior to the effective date of this division of this Act shall be governed by the law as it existed prior to the effective date of this division of this Act.**
- Capital gain deduction for installment sales of non-farm business assets are still allowed as long as the sale was consummated before January 1, 2023.

TAX RATES

Individual Tax Rate Decrease

- The top individual income tax rate in Iowa in 2022 was **8.53 percent**. This rate applied to income over \$78,435.
- The 2023 top individual income tax rate is **6 percent**. This applies to income over \$75,000 for individuals and \$150,000 for a married couple.
- The number of tax brackets are reduced from nine to four in 2023 through 2025 and a **flat tax goes into effect in 2026 and beyond**.

Iowa Income Tax Rates - 2023

For all taxpayers other than married taxpayers filing jointly:

Taxable Income		Tax				
Over	But Not Over			Tax Rate		Of Excess Over
\$0	\$6,000	\$0.00	+	(4.40%	x	\$0)
\$6,000	\$30,000	\$264.00	+	(4.82%	x	\$6,000)
\$30,000	\$75,000	\$1,420.80	+	(5.70%	x	\$30,000)
\$75,000	-----	\$3,985.80	+	(6.00%	x	\$75,000)

Iowa Income Tax Rates - 2023

For married taxpayers filing jointly:

Taxable Income		Tax				
Over	But Not Over			Tax Rate		Of Excess Over
\$0	\$12,000	\$0.00	+	(4.40%	x	\$0)
\$12,000	\$60,000	\$528.00	+	(4.82%	x	\$12,000)
\$60,000	\$150,000	\$2,841.60	+	(5.70%	x	\$60,000)
\$150,000	-----	\$7,971.60	+	(6.00%	x	\$150,000)

Income Tax Brackets		Rates			
Lower Limit	Upper Limit	TY 2023	TY 2024	TY 2025	TY 2026
\$0	\$6,000	4.40%	4.40%	4.40%	3.90%
\$6,001	\$30,000	4.82%	4.82%	4.82%	3.90%
\$30,001	\$75,000	5.70%	5.70%	4.82%	3.90%
\$75,001	And over	6.00%	5.70%	4.82%	3.90%

NOTE: Brackets Double for Married Filing Jointly

