

Iowa Beginning Farmer Tax Credits and Loan Programs

Obtaining enough capital to pursue a career in production agriculture can be challenging. The Iowa Ag Development Division (IADD), formerly Iowa Ag Development Authority (IADA), is a division of the Iowa Finance Authority that may be able to help. The IADA was established by the Iowa General Assembly in 1980 to provide financial assistance to Iowa’s grain and livestock producers. IADA was merged into the Iowa Finance Authority in 2013 and is now known as the Iowa Ag Development Division. Several programs continue to be available through IADD that are designed to assist beginning farmers.

To qualify for programs through IADD, applicants must be a resident of Iowa and at least 18 years of age. The net worth limit is set each year, and for 2014 is \$678,731. Beginning farmers also must have sufficient training as well as access to working capital, farm machinery, livestock, and agricultural land as needed.

A summary of programs available is included below. More information on specific programs and how to apply can be found on the IADD website, iowafinanceauthority.gov/IADD/.

Beginning Farmer Loan Program (BFLP)

The Iowa Beginning Farmer Loan Program assists new farmers in acquiring agricultural property by offering financing at reduced interest rates. Beginning Farmer Loans are financed by participating lenders with the issuance of federal tax exempt bonds by the Iowa Finance Authority; contract sellers also receive a state tax exemption on the interest income. The tax exempt interest income earned by lenders and contract sellers enables them to charge borrowers a lower interest rate, which will typically result in about a 25 percent rate reduction using the program. IADD’s Beginning Farmer loan is often used with the FSA Direct Farm Ownership Down Payment Loan Program (5/45/50).

For this program, applicants must be below 30 percent of the county median for land ownership. Eligible projects include land, machinery, equipment, breeding livestock, or farm improvements. The program maximum is \$509,600 federal bond, and the loan terms are set by the lender or contract seller.

Loan Participation Program (LPP)

The Loan Participation Program assists low income farmers to secure loans and make down payments. IADD’s participation can be used to supplement the borrower’s down payment, helping a farmer secure a loan more readily. The lender’s risk is also reduced because the IADD provides a “last-in/last-out” loan participation for the financial institution.

Eligible projects include land, machinery, equipment, breeding livestock, or farm improvements. Funding is available for up to 30 percent of the project cost, up to \$150,000 with interest rate equal to 1 percent above FSA’s Beginning Farmer loan rate, fixed the first five years, then adjusted to 1 percent above the FSA rate at that time, with a 10-year balloon payment.

Beginning Farmer Tax Credit Programs (BFTC)

IADD has two tax credit programs to assist beginning farmers. These tax credits are an incentive to lease to, or custom hire, a beginning farmer.

Agricultural Assets Transfer Tax Credit

The Agricultural Assets Transfer Tax Credit, commonly referred to as the Beginning Farmer Tax Credit program, allows agricultural asset owners to earn tax credits for leasing their land, equipment, and/or breeding livestock to beginning farmers.

The maximum credit is \$50,000. Terms include a 7 percent tax credit for cash rent leases or a 17 percent tax credit for crop share leases. Lease terms and

duration are set by the asset owner, but must be a two to five year lease term. There is additional credit available if beginning farmer is a veteran. Flexible leases are no longer acceptable.

Custom Hire Tax Credit

The new Beginning Farmer Custom Farming Tax Credit program offers a tax credit to anyone hiring a beginning farmer to do agricultural contract work for the production of crops or livestock.

The Iowa Legislature created the Custom Hire Tax Credit Program in 2013 as an incentive for hiring beginning farmers. The tax credit is 7 percent of the value of the custom work performed by the beginning farmer, with a maximum credit of \$50,000. If the beginning farmer is a military veteran, the tax credit increases to 8 percent for the first year he or she participates in the program.

Applications for the Custom Hire Tax Credit Program are accepted through December 15 each year.

More Information

Operating expenses for the IADD are derived from modest application and service fees paid by program participants. The IADD also earns interest from a trust fund, but it does not receive any state tax dollars.

More information on the programs described in this article and how to apply is available at IowaFinanceAuthority.gov/IADD.

. . . and justice for all

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Many materials can be made available in alternative formats for ADA clients. To file a complaint of discrimination, write USDA, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call 202-720-5964.

Issued in furtherance of Cooperative Extension work, Acts of May 8 and July 30, 1914, in cooperation with the U.S. Department of Agriculture. Cathann A. Kress, director, Cooperative Extension Service, Iowa State University of Science and Technology, Ames, Iowa.