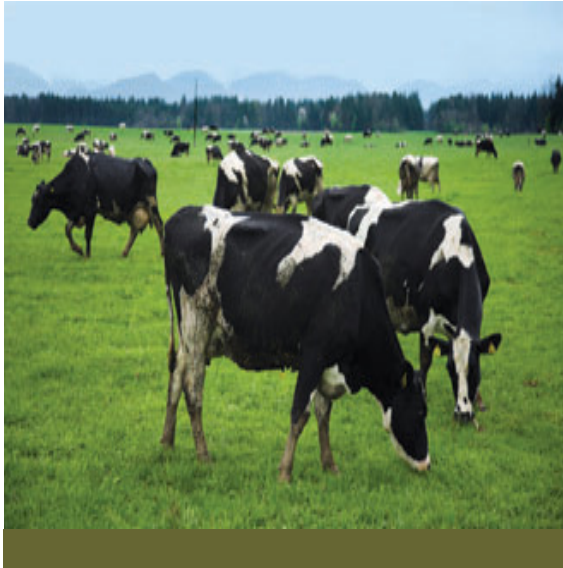




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Beginning Farmer Tax Credit Program



Beginning Farmer Tax Credit Program

- Established in 2007
- Encourages agricultural asset owners to lease land, equipment and/or breeding livestock to qualified beginning farmers
- Provides owner a credit on **Iowa** income taxes owed
 - 7% on cash rent
 - 17% on crop share
 - 1% additional first year if beginning farmer is a military veteran



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Key Requirements

- Lease must have a term between 2-5 years
 - Cash rent amount or crop share percentage does not have to be the same for each year of the lease as long as it is established on application
- Tax credit issued annually through lease term
- Renewable at expiration
 - Must reapply
 - Beginning Farmer must still qualify
- Flex leases only calculated on base rent
 - No tax credit on bonus/variable factors
- Lease value cannot be substantially higher/lower than market
- Lease can be between related parties – including immediate family members



Key Requirements

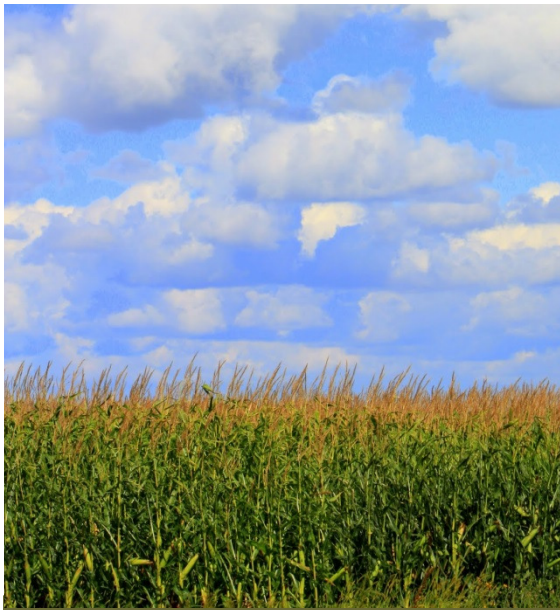
- If crop share lease, Beginning Farmer must receive at least 33% of crop
- FSA Form 156 must be submitted with application
 - Confirms farm location, acres, ownership
 - Beginning farmer must be listed as operator
- **All Names MUST be the same:**
 - **Names on 156 Form**
 - **Names on lease**
 - **Names on application**



Calculating Cash Rent Tax Credit

- 160 acres cash rented
- \$200 per acre
- gross lease income: $160 \times \$200 = \$32,000$
- **Iowa** income tax credit: $\$32,000 \times 7\% = \mathbf{\$2,240}$





Calculating Crop Share Tax Credit

- Allocation of acres and yield
 - 50% to corn and 50% to beans
 - Yield determined by USDA data

(Historical average of county's T-yield)

- Price = USDA RMA state fall price
 - County list is on website
- Crop share is calculated on the asset owners percentage



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Corn and Soybean

2016 County Yields and State Fall Prices

(To Calculate Crop Share Tax Credit Amounts)

<u>CORN</u>			<u>SOYBEANS</u>		
<u>County</u>	<u>Yield</u>	<u>Price</u>	<u>County</u>	<u>Yield</u>	<u>Price</u>
Adair	157	3.83	Adair	46	8.91
Adams	151	3.83	Adams	45	8.91
Allamakee	164	3.83	Allamakee	48	8.91
Appanoose	138	3.83	Appanoose	42	8.91
Audubon	164	3.83	Audubon	49	8.91
Benton	180	3.83	Benton	51	8.91
Black Hawk	172	3.83	Black Hawk	49	8.91
Boone	175	3.83	Boone	48	8.91
Bremer	177	3.83	Bremer	50	8.91

All county information posted at www.iowafinanceauthority.gov/iadd under Forms and Resources tab.



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Crop Share Example

160 Acres allocated 1/2 to corn, 1/2 to soybeans with 50/50 crop share:

- 80 acres corn x 167 bu/acre x 50% x \$3.83 x 17% = **\$4,349.35**
 - Total corn crop = 13,360 bushels
 - Owner's share = 6,680 bu.
- 80 acres soybeans x 48 bu/acre x 50% x \$8.91 x 17% = **\$2,908.22**
 - Total soybeans crop = 3,840 bushels
 - Owner's share = 1,920 bu.
- Total **Iowa** tax credit = **\$7,257.57**



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Calculating Cow-Calf Share Lease

Eligibility Requirements:

- Cow-calf lease operation is based in Iowa year-round
- Beginning Farmer provides all labor
- Beginning Farmer must receive at least 33.3% of the calf crop
 - assume 95% calf crop, allowing for 5% in death losses
- Asset Owner provides all breeding stock and/or semen for the herd

Factors Used to Calculate Tax Credit Amount:

- Weight : all calves will be considered at 550 lbs.
- Prices : FSA prices for 550 lb. feeder steer used for cash flows
- 2016 FSA price used = \$2.10 per lb. (adjusted each January 1st)





Other Provisions and Fees

- September 1st application deadline
- \$200 Application fee
 - \$100 more after July 1st
- Service fee
 - \$50/year for cash rent lease
 - \$100/year for crop share lease
- Application and service fees are due with application
- Tax certificates sent in January



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Lease Change Requests

- Must be received/approved by IADD board before enacted
- Changes *only beneficial to Beginning Farmer* will be considered
 - Reduction of cash rent amount (no increases)
 - Additional acres added to the lease
 - Swapping one Beginning Farmer for another due to circumstances
- Asset owner cannot cancel lease
- Requests must be received before December 1st
- \$100 Processing Fee
 - No \$100 fee required for:
 - Asset owner address changes
 - Death of spouse who received tax credit certificate



How to get started!

- Beginning Farmer negotiates with asset owner the lease terms
- Application is prepared and signed by both the Asset Owner and the Beginning Farmer
- Applications and additional information is available at:

IowaFinanceAuthority.gov/IADD

- Submit Tax Credit application and attachments by **September 1st**
- IFA staff reviews application for eligibility and completeness
- Approval letters are sent out after IFA Board approval
- Tax Credit Certificates are mailed out each January throughout the term of the approved lease



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Questions on the Beginning Farmer Tax Credit Program?



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Custom Farming Tax Credit Program



Custom Farming Tax Credit Program

- Established in 2013
- Encourages agricultural asset owners to custom hire qualifying beginning farmers
- Provides owner a credit against Iowa income taxes
- Credit equals 7% of amount paid to beginning farmer



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Program Requirements

- Contracted work must be for the production of crops or livestock
- Contract terms are set by the Beginning Farmer and the person hiring him/her for custom work
- Contract must be:
 - in writing
 - for less than 24 months
 - signed by all parties involved
- Beginning farmer must provide everything needed for contracted work (including labor and machinery)
- Taxpayer must provide proof of payment
- Contract cannot be between spouses, children, or siblings





Other Requirements and Fees

- November 1st application deadline
- \$200 Application fee
 - \$50 more after October 1st
- Tax certificates sent in January
- If the same person hires the same beginning farmer for multiple jobs, all work can be put on one application
- If either the beginning farmer or the employer is different, multiple applications are needed



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IADD Tax Credit Programs

- IADD has \$12 million in **Iowa** tax credits to allocate between the two programs
- \$50,000 maximum tax credit per year per application or taxpayer
- Unused credits
 - Can be carried forward 10 years
 - Cannot carry back to prior years



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How to get started!

- Submit Custom Farming application packet by November 1st
 - Signed Custom Contract (up to 24 months)
 - Verification of Payment
- Applications and additional information is available at:
IowaFinanceAuthority.gov/IADD
- IFA staff reviews application for eligibility and completeness
- Approval letters are sent out after IFA Board approval
- Tax Credit Certificates are mailed out each January throughout the term of the approved contract



Questions on the Custom Farming Tax Credit Program?



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DNR Lease to Beginning Farmer Program

DNR Lease to Beginning Farmer Program

- Created in 2013
- Provides leasing opportunities to Iowa beginning farmers
- Offered and administered by the Iowa Department of Natural Resources (DNR)
- IADD must certify that Beginning Farmer is eligible
 - Same eligibility requirements as other programs
- For more information on the program, contact DNR



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Available to Provide Workshops

- Do workshops for banks, CPAs, attorneys, ISU Extension, ag organizations
- Let us know when and where you would like a workshop provided in your community



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10 Regional Workshops In 2017

From 9:00 am to 11:15 am

- | | | |
|------------------|-------------------|--------------|
| • Tues, 2-14-17 | Northeast Iowa CC | Calmar |
| • Thur, 2-16-17 | Hawkeye CC | Waterloo |
| • Wed, 2-22-17 | Iowa Lakes CC | Emmetsburg |
| • Thurs, 2-23-17 | Iowa Central CC | Ft. Dodge |
| • Tues, 2-28-17 | North Iowa CC | Mason City |
| • Thur, 3-2-17 | Des Moines CC | Ankeny |
| • Tues, 3-7-17 | Southwestern CC | Creston |
| • Thur, 3-9-17 | Indian Hills CC | Centerville |
| • Tues, 3-14-17 | Kirkwood CC | Cedar Rapids |
| • Tues, 6-6-17 | Muscatine CC | Wilton |



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► Making a Dream a Reality

Getting started on your own in farming requires capital, and that can be a challenge. The Beginning Farmer Loan Program enables beginning farmers, like Jeremiah Gingerich, to purchase necessary land with a low interest rate.



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» A Family Tradition

Aaron Lorch is happy to be back at home as the fourth generation in his family's farming operation. The affordable financing available through the Beginning Farmer Loan Program made farming an easier endeavor for Aaron.



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» Home on the Farm

The Beginning Farmer Tax Credit program has been a valuable resource for landlords and tenants since 2007. Brian Kautzky is proud about the program allowing him and his brothers to return to the family farm.



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“After graduating from college, it was always my plan to return to our family farm, expand the Soules Farms operation and begin my career in agriculture. ***The Beginning Farmer Loan Program***, provided through the Iowa Agricultural Development Division, made my goals a reality with affordable financing. Assistance from the program enabled me to purchase my first farm of nearly 200 acres and continue the lifestyle my family has enjoyed for three generations.”

➤ **Chris Soules**
Arlington



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