Obtaining enough capital to pursue a career in production agriculture can be challenging. The Iowa Agricultural Development Division (IADD), formerly Iowa Agricultural 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 Agricultural 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 maximum net worth limit is set each year, and the current limit can be found on the IADD website. Beginning farmers also must have sufficient training as well as access to working capital, farm machinery, livestock, and agricultural land.

A summary of programs available is included below. Further details on specific programs and how to apply can be found on the IADD website, www.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 adjusted annually and can be found on the IADD website, or by contacting the authors. 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 one percent above FSA’s Beginning Farmer loan rate, fixed the first five years, then adjusted to one 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. 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 seven 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 the beginning farmer is a veteran. Flexible leases may be submitted, but no tax credit is available for the bonus portion of a flexible lease.

All tax credit applications must be submitted by September 1 to be considered for that tax year, with a late fee applied after July 1.

**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 seven 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 eight percent for the first year he or she participates in the program.

Applications for the Custom Hire Tax Credit Program are accepted up to November 1 each year, for that tax year, with an additional fee applied for applications received after October 1.

**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 [www.IowaFinanceAuthority.gov/IADD](http://www.IowaFinanceAuthority.gov/IADD).