Ag Decision Maker

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Iowa Beginning Farmer Tax Credit Act

Administered by the Iowa Agricultural Development Authority.

During the 2006 legislative session the Iowa Legislature passed a bill with allows a tax credit for those who control agricultural assets and lease them to beginning farmers. This program is still in its infancy and the IADA and related agencies are still working on the administrative rules. The following is a summary of the key provisions of the legislation (S.F. 2268):

General Guidelines

- The definition of Agricultural Asset is stated as "agricultural land, depreciable agricultural property, crops, or livestock."
- An eligible taxpayer is one that does not violate that Iowa anti-corporate farming law or qualify under that provision solely by means of an exemption.
- In order to receive the tax credit you must execute a written contract (known as an "asset transfer agreement") for the transfer of the assets (lease agreement).
- Asset transfer agreements can be as short as two years or as long as five years.
- The tax credit is limited to those items addressed in the asset transfer agreement.
- A copy of the agreement must be included with the application to the IADA. The credit can only be claimed if the taxpayer has received a tax credit certificate from the IADA. The certificate must be attached to the taxpayer's return.
- The tax credit will be issued in the taxpayer's name for the amount of 5% of a cash contract and 15% for a crop or livestock share agreement.
- The credit is available to members of pass-through entities in an amount based on the member's pro-rata share of earnings from the entity.
- The amount of the credit is based on the gross amount paid to the taxpayer under the asset transfer agreement.
- The taxpayer may carry any unused portion of the credit forward for up to five years, but may not carry the credit back to a prior tax year.
- The credit is non-transferable.

The IADA cannot issue a tax credit certificate if any of the following apply:

- The taxpayer is at fault (as determined by the IADA) for terminating a previous contract under the Iowa Beginning Farmer Tax Credit Act. In that event, any prior tax credit will be disallowed and the credit is immediately due and payable to the Iowa Department of Revenue.
- The taxpayer is party to any pending administrative or judicial actions (whether contested or not) related to alleged violations involving an animal feeding operation.
- The taxpayer is classified as a habitual violator for violations involving animal feeding operations.

Who Qualifies as a Beginning Farmer

- To be considered a beginning farmer the prospective tenant must have net worth of less than $300,000.
- The beginning farmer must also have sufficient education and training to operate a production operation and actively participate in the management and labor of the operation.

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