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## FISCAL TOPICS

Fiscal Services Division

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## Tax Credit: Beginning Farmer Tax Credit Program

The Beginning Farmer Tax Credit Program, formerly the Agricultural Assets Transfer Tax Credit (AATTC), consists of the Beginning Farmer Tax Credit (BFTC) and the Custom Farming Contract Tax Credit. The BFTC is allowed for qualified agricultural asset owners that enter a lease or rental agreement with a beginning farmer. The tax credit equals 5.0% of the amount paid to the taxpayer under the rental agreement or 15.0% of the amount paid to the taxpayer from crops or animals sold under the agreement.

The total amount of the tax credit is capped at \$12.0 million per calendar year. The maximum amount of tax credits awarded to an eligible taxpayer for any one year is \$50,000. The tax credit may be claimed against corporate income tax and individual income tax. An applicant for the BFTC must meet the following criteria:

- Be a resident of the State of Iowa.
- Be 18 years of age or older.
- Have a net worth of \$833,000 or less.
- Have sufficient education, training, or experience for the anticipated farm operations.
- Have access to adequate working capital, equipment, and other items that are necessary to operate the farm.
- Be the owner/operator.

To be a qualified beginning farmer eligible to participate in the Beginning Farmer Tax Credit Program, one must meet the following criteria:

- Be a resident of the State of Iowa.
- Have sufficient education, training, or experience in farming.
- Have access to adequate working capital and production items.
- Materially and substantially participate in farming.
- Do not own more than a 10.0% ownership interest in an agricultural asset included in the agreement.

### Tax Credit Background

- Enabling Legislation:
- Iowa Code Citations:
  - Sections [16.77](#), [16.78](#), [16.79](#), [16.79A](#), [16.81](#), [16.82](#), and [16.82A](#) — Program Description
  - Section [422.11E](#) — Individual Income Tax
  - Section [422.33](#)(21) — Corporate Income Tax
- Administrative State Agencies: Iowa Finance Authority (IFA), Iowa Department of Revenue (IDR)
- Sunset Date: The Custom Farming Contract Tax Credit sunset December 31, 2017. The BFTC does not have a sunset date.
- Transferable: No

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### More Information

Department of Revenue Contingent Liabilities Report: [tax.iowa.gov/reports?term\\_node\\_tid\\_depth=79](http://tax.iowa.gov/reports?term_node_tid_depth=79)

Department of Revenue Tax Credit Review: [tax.iowa.gov/sites/default/files/2021-01/BFTC%20Evaluation%20Study%202020.pdf](http://tax.iowa.gov/sites/default/files/2021-01/BFTC%20Evaluation%20Study%202020.pdf)

Department of Revenue Tax Credit Users' Manual: [tax.iowa.gov/sites/default/files/2022-12/TaxCreditsUsersManual2022.pdf](http://tax.iowa.gov/sites/default/files/2022-12/TaxCreditsUsersManual2022.pdf)

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- Refundable: No
- Carryforward: Unused credits may be carried forward for up to 10 years.
- Tax Review Committee Review Year: None scheduled

### Legislative History

The BFTC, originally the AATTC, became effective January 1, 2007. Effective July 1, 2009, a fiscal year cap of \$6.0 million was imposed on the AATTC, which was increased to \$8.0 million effective January 1, 2013.

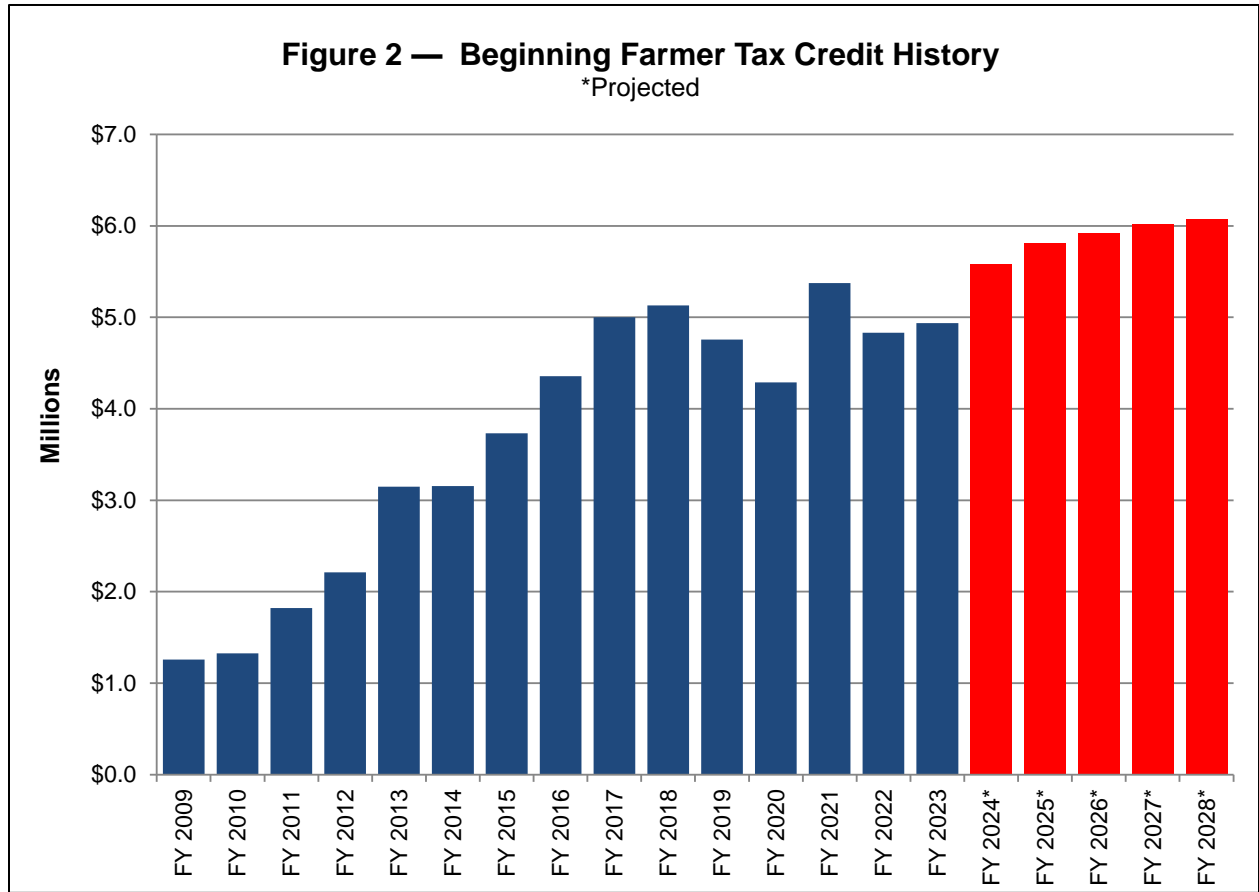
The Custom Farming Contract Tax Credit was enacted effective for tax years 2013 through 2017 with a cap of \$4.0 million. The AATTC percentage for cash rental agreements was increased from 5.0% to 7.0% and the percentage for crop share agreements was increased from 15.0% to 17.0% effective for tax years 2013 through 2017. If the beginning farmer was a veteran, the tax credit rates were 8.0% or 18.0% for the first year of the contract.

During the 2014 Legislative Session, the carryforward period was extended from 5 years to 10 years for credits awarded in 2008 or later. During the 2015 Legislative Session, the maximum length of a contract under the Custom Farming Contract Tax Credit was increased from 12 months to 24 months. The Custom Farming Contract Tax Credit sunset December 31, 2017. Effective January 1, 2018, the AATTC returned to 5.0% and 15.0%. During the 2019 Legislative Session, the tax credit name was changed from the AATTC to the BFTC.

### Tax Credit Review, Usage, and Future Liability

The IDR reports on the annual credit usage for the BFTC in its periodic [Contingent Liabilities Report](#). Based on Table 9 of the report, **Figure 1** provides credit redemption history and projections for the program on a fiscal year basis. The blue bars of **Figure 2** indicate the actual credit redemptions, while the red bars are the IDR projections of future redemptions. The figures do not include the Custom Farming Contract Tax Credit.

*Projected			
Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2009	\$ 1,260,044	FY 2019	\$ 4,757,009
FY 2010	1,326,938	FY 2020	4,287,688
FY 2011	1,822,851	FY 2021	5,373,329
FY 2012	2,211,072	FY 2022	4,830,604
FY 2013	3,148,667	FY 2023	4,935,108
FY 2014	3,154,210	FY 2024*	5,582,114
FY 2015	3,731,606	FY 2025*	5,812,049
FY 2016	4,357,315	FY 2026*	5,920,765
FY 2017	5,000,233	FY 2027*	6,020,666
FY 2018	5,129,555	FY 2028*	6,073,234



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