Legislative Services Agency
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Fiscal Services Division

Fiscal Topic

Tax Credit: Beginning Farmer Tax Credit Program

November 4, 2026

Purpose and History

The Beginning Farmer Tax Credit (BFTC) Program, formerly the Agricultural Assets Transfer Tax Credit (AATTC), consists of the 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 $901,000 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 BFTC 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.
- Not own more than a 10.0% ownership interest in an agricultural asset included in the agreement.

Tax Credit Background

- Enabling Legislation: 2006 Iowa Acts, chapter 1161 (Agricultural Production Tax Incentives Act), and 2019 Iowa Acts, chapter 161 (Iowa Finance Authority and Agricultural Development — Beginning Farmer Tax Credits Act)
- 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) and 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
- Refundable: No
- Carryforward: Unused credits may be carried forward for up to 10 years.
- Tax Review Committee Review Year: None

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 $12.0 million effective January 1, 2013.

The Custom Farming Contract Tax Credit was 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% for cash rental agreements and 18.0% for crop share agreements 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 percentages for cash rental agreements and crop share agreements returned to 5.0% and 15.0%, respectively. During the 2019 Legislative Session, the tax credit name was changed from the AATTC to the BFTC.

Tax Credit Review, Usage, and Future Liability

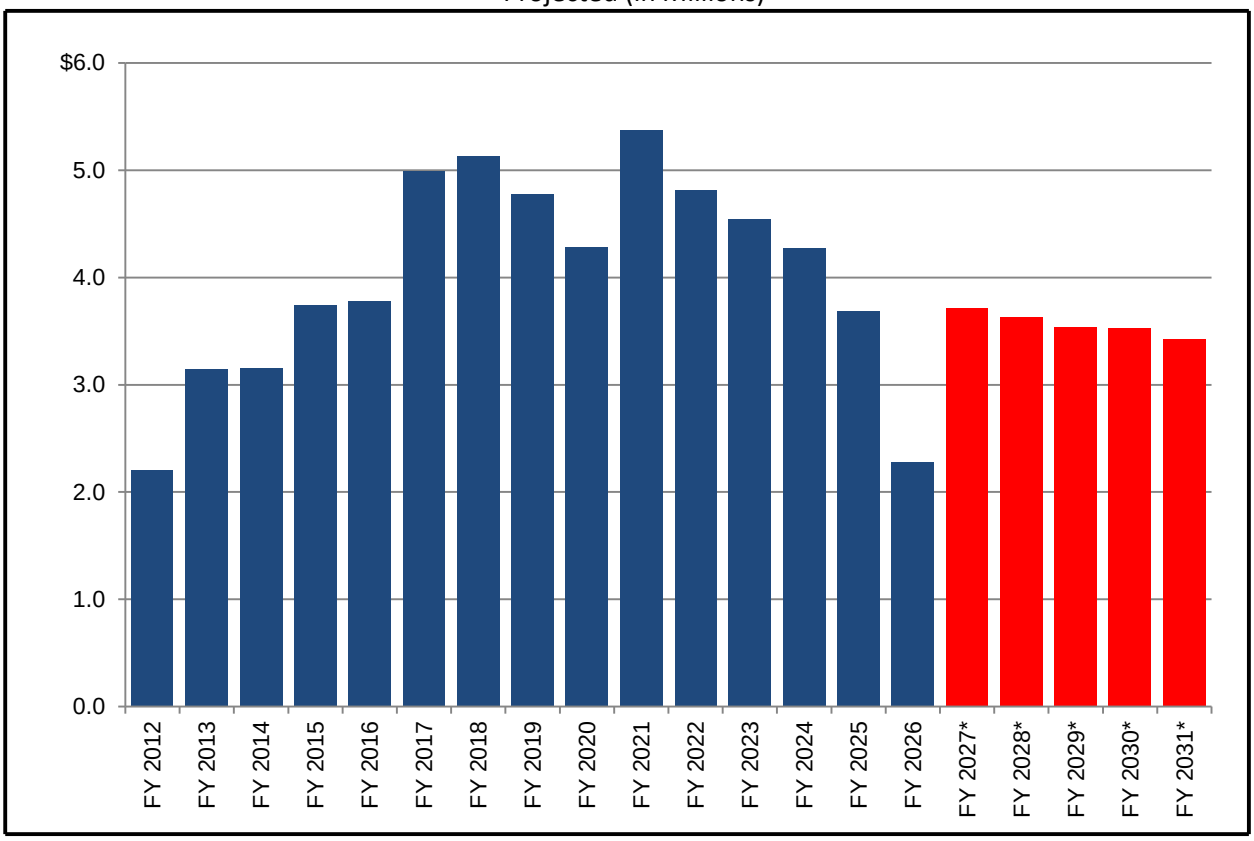
The IDR reports on the annual credit usage for the BFTC in its periodic Contingent Liabilities Report. Based on Table 8 of the report, the following figures provide credit redemption history and projections for the credit on a fiscal year basis. The blue bars of **Figure 2** indicate the actual credit redemptions, while the red bars are the IDR projections of future redemptions. The figures do not include the Custom Farming Contract Tax Credit.

Figure 1 — Beginning Farmer Tax Credit History

*Projected

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2012	$ 2,208,927	FY 2022	$ 4,814,271
FY 2013	3,148,771	FY 2023	4,543,532
FY 2014	3,157,370	FY 2024	4,275,905
FY 2015	3,744,896	FY 2025	3,686,277
FY 2016	3,781,939	FY 2026	2,277,407
FY 2017	4,990,171	FY 2027*	3,712,712
FY 2018	5,128,622	FY 2028*	3,625,618
FY 2019	4,775,136	FY 2029*	3,539,605
FY 2020	4,287,688	FY 2030*	3,528,408
FY 2021	5,373,329	FY 2031*	3,430,597

Figure 2 — Beginning Farmer Tax Credit Redemptions
*Projected (in Millions)



Additional Information

For additional information, visit:

- Iowa Department of Revenue Contingent Liabilities Report
- Iowa Department of Revenue Tax Credit Review
- Iowa Department of Revenue Tax Credit Users' Manual
- Legislative Services Agency Individual Income Tax Guide

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