

IOWA AGRICULTURAL
DEVELOPMENT DIVISION

of the

IOWA FINANCE AUTHORITY

Lori Beary, Community Development Director

History / Background

- In 1975, when the Iowa Housing Finance Authority was created, the power to issue bonds for agricultural purposes was included
- Iowa Family Farm Authority was created as a separate authority in 1980. Later became Iowa Agricultural Development Authority (IADA)
- In 2013, IADA became a Division of IFA with its own Board of Directors



IADD Programs

- Beginning Farmer Loan Program (BFLP)
- Loan Participation Program (LPP)
- Beginning Farmer Tax Credit Program (BFTC)
- Beginning Farmer Custom Farming Tax Credit Program (BFCE)



Benefits of IADD within IFA

Able to take advantage of existing IFA staff

– Accounting

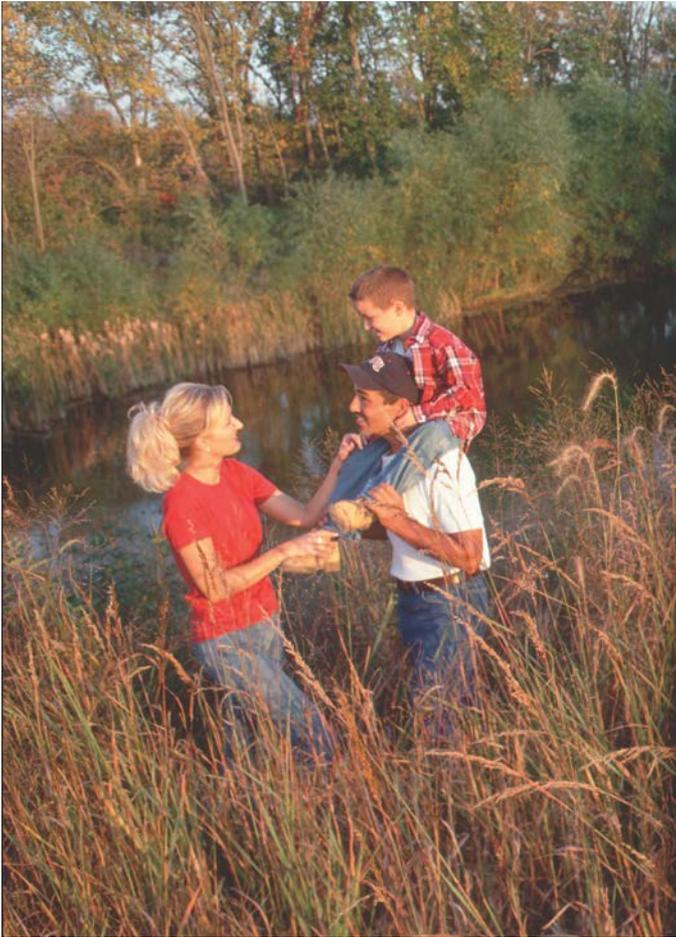
- Monthly financial statements
- Billing and payments

– Marketing and communications

- Brochures
- Exhibit booth and marketing materials
- Articles / Ads

– IT support, Clerical help, etc.

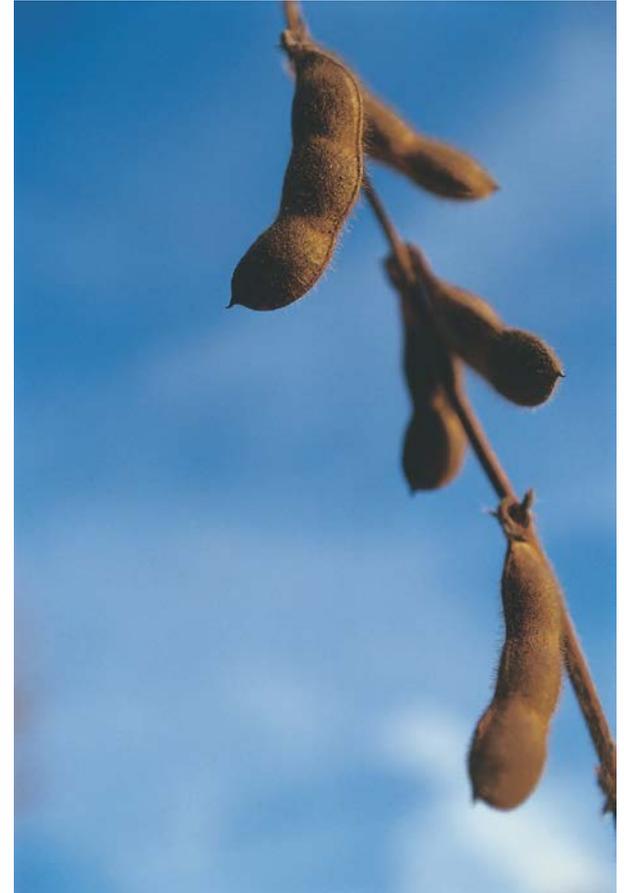
Who is a Beginning Farmer?



- Must be at least 18 years old
- Must be a resident of Iowa
- Must be the owner/operator of the farm (cannot lease or hire someone else to do the work)
- Must have sufficient training and experience to operate the farm
- Must have access to needed equipment
- Must have net worth less than \$672,171 for 2016
- For BFLP, limit on amount of land owned

Calculating Beginning Farmer Net Worth

- Use USDA September Index of Prices Paid by Farmers
- 2015 Net worth was \$703,844
- Prices Paid by Farmers decreased by 4.5% from September, 2014 to September, 2015
- 2016 Net worth is \$672,171



Beginning Farmer Tax Credit Program

- The Beginning Farmer Tax Credit Program (BFTC) was established in 2007 to encourage 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
- Tax certificates sent in January



Other Provisions

- 2-5 year lease term
 - Tax credit issued annually during lease
 - Can reapply at expiration if beginning farmer is still eligible
- Lease value can't be substantially higher or lower than market
- Lease can be between related parties (parents, grandparents, siblings, etc.)



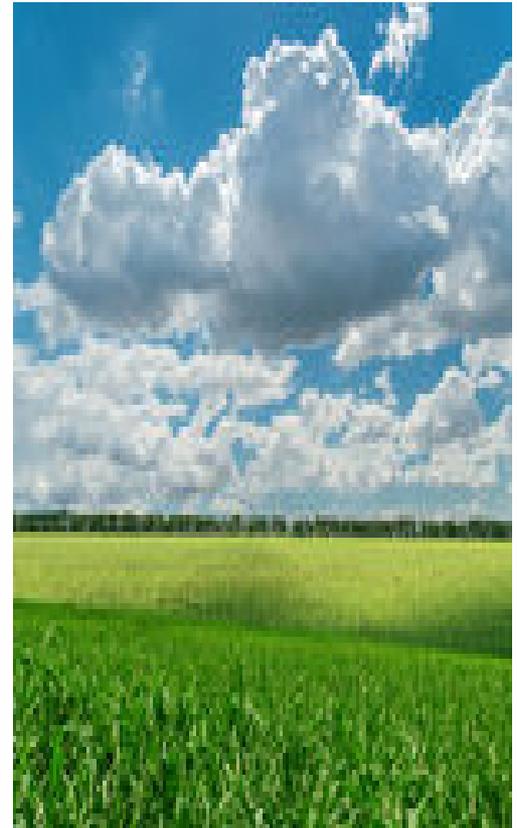
Calculating Cash Rent Tax Credit

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



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



2015 Iowa's County Corn and Soybean Yields and State RMA Prices
(For Calculating 2015 Crop-Share Tax Credit Applications)

Co ID	CORN				SOYBEANS		
	Name	Yield	PRICE		Name	Yield	Price
1	Adair	157	3.49		Adair	46	9.65
2	Adams	151	3.49		Adams	45	9.65
3	Allamakee	164	3.49		Allamakee	48	9.65
4	Appanoose	138	3.49		Appanoose	42	9.65
5	Audubon	164	3.49		Audubon	49	9.65
6	Benton	180	3.49		Benton	51	9.65
7	Black Hawk	172	3.49		Black Hawk	49	9.65
8	Boone	175	3.49		Boone	48	9.65
9	Bremer	177	3.49		Bremer	50	9.65
10	Buchanan	173	3.49		Buchanan	48	9.65
11	Buena Vista	168	3.49		Buena Vista	48	9.65
12	Butler	173	3.49		Butler	48	9.65
13	Calhoun	171	3.49		Calhoun	48	9.65
14	Carroll	174	3.49		Carroll	50	9.65
15	Cass	162	3.49		Cass	48	9.65
16	Cedar	180	3.49		Cedar	50	9.65
17	Cerro Gordo	168	3.49		Cerro Gordo	47	9.65
18	Cherokee	173	3.49		Cherokee	53	9.65
19	Chickasaw	168	3.49		Chickasaw	47	9.65
20	Clarke	132	3.49		Clarke	39	9.65
21	Clay	167	3.49		Clay	48	9.65
22	Clayton	167	3.49		Clayton	52	9.65
23	Clinton	173	3.49		Clinton	49	9.65
24	Crawford	168	3.49		Crawford	49	9.65
25	Dallas	167	3.49		Dallas	48	9.65
26	Davis	140	3.49		Davis	43	9.65
27	Decatur	137	3.49		Decatur	41	9.65
28	Delaware	171	3.49		Delaware	50	9.65
29	Des Moines	171	3.49		Des Moines	49	9.65
30	Dickinson	158	3.49		Dickinson	46	9.65
31	Dubuque	176	3.49		Dubuque	52	9.65
32	Emmet	170	3.49		Emmet	47	9.65
33	Fayette	168	3.49		Fayette	47	9.65
34	Floyd	166	3.49		Floyd	47	9.65
35	Franklin	172	3.49		Franklin	48	9.65
36	Fremont	146	3.49		Fremont	46	9.65
37	Greene	173	3.49		Greene	49	9.65

Crop Share Example

160 Acres allocated 1/2 to corn, 1/2 to soybeans:

- *80 acres corn x 167 bu/acre x 50% x \$3.49 x 17% = \$3,963.24*
 - *Total corn crop (80 x 167)= 13,360 bushels*
 - *Owner's share (50%) = 6,680 x 3.49 = \$23,313 x .17*
- *80 acres soybeans x 48 bu/acre x 50% x \$9.65 x 17% = \$3,149.76*
 - *Total soybeans crop = 3,840 bushels*
 - *Owner's share = 1,920 x \$9.65 = \$18,528 x .17*
- *Total share lease tax credit = \$7,113.00*

Beginning Farmer Custom Farming Tax Credit

- New in 2013 to encourage landowners to hire beginning farmers for custom work
- 7% Iowa tax credit on amount paid
- Additional 1% credit if beginning farmer is military veteran



Beginning Farmer Custom Farming Tax Credit

- Contracted work must be for the production of crops or livestock
- Contract must be in writing and for less than 24 months
- 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

IADD Tax Credit Programs



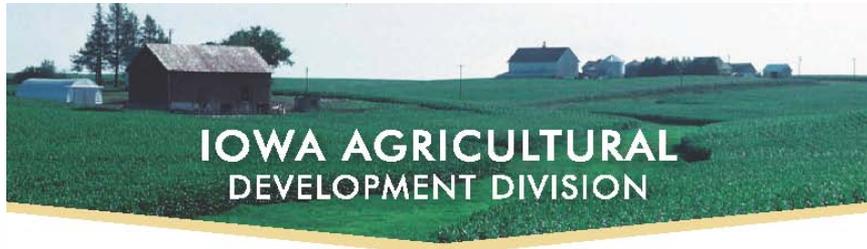
- \$50,000 maximum tax credit per year per application or taxpayer
- IADD has \$12 million in state tax credits to allocate between the two programs
- Can carry forward unused tax credits for 10 years

Beginning Farmer Tax Credit Program

Ag Asset Tax Credit				
Year	Total Number of Tax Certificates Issued	Total Amount of Tax Credits Issued	Number of New Applications	Amount of New Applications
2007	287	\$1,439,685	287	\$1,439,685
2008	652	\$2,236,625	202	\$796,940
2009	696	\$2,604,843	140	\$636,818
2010	767	\$3,583,654	175	\$1,038,044
2011	787	\$5,289,398	139	\$1,283,768
2012	726	\$5,763,537	165	\$1,609,999
2013	640	\$5,992,594	204	\$1,909,317
2014	917	\$6,491,480	419	\$2,982,647
2015 YTD	1046	\$6,698,320	398	\$2,461,237
Totals	6518	\$40,100,136	2129	\$14,158,455

Beginning Farmer Custom Farming Tax Credit

Year	Number of New Applications	Total Amount of Tax Credits Issued
2013	10	\$28,975
2014	14	\$30,046
Total	24	\$59,021



**MORE PROGRAMS TO HELP
BEGINNING IOWA FARMERS
THAN EVER BEFORE!**

- ▾ Beginning Farmer Loan Program
- ▾ Loan Participation Program
- ▾ Beginning Farmer Tax Credit Program
- ▾ Beginning Farmer Custom Farming Tax Credit Program

**BEGINNING FARMER
QUALIFICATIONS**

- ▾ Must be at least 18 and a resident of Iowa
- ▾ Net worth of no more than \$678,731
- ▾ Have sufficient education, training and experience for the anticipated farm operations
- ▾ Be owner/operator
- ▾ Have access to adequate working capital, farm machinery, livestock and agricultural land as needed



**IOWA AGRICULTURAL
DEVELOPMENT DIVISION**

IowaFinanceAuthority.gov/IADD | 800-432-7230



IADD Staff participated in 85 events in 2015

- Beginning Farmer Workshops
 - Community colleges
 - FFA
- Exhibit booths and/or presentations at conferences
 - Ag groups
 - Tax Workshops
 - ISCPA
 - Iowa Bar
 - ISU Center for Ag and Tax Law
 - Ag bankers
- Ads in publications
 - FB Spokesman
 - Iowa Bankers Assn
 - Iowa Farmer Today



**IOWA FINANCE
AUTHORITY**