



Beginning Farmer Qualifications

To qualify as a Beginning Farmer, the following criterion needs to be met under Section 175.2.12 of the Code of Iowa:

- ✦ Be a resident of the State of Iowa and 18 years of age at the time of application
- ✦ Possess a net worth of less than \$680,590
- ✦ Have sufficient education, training or experience in farming
- ✦ Have access to adequate working capital, equipment and other items that are necessary to operate the farm
- ✦ Must materially and substantially participate in the operation of the farm and assume financial risk
- ✦ Cannot sub-lease

Asset Owner Qualifications

The agricultural asset owner must meet all the requirements of Iowa Code Chapter 9H and 9I, Iowa Code Section 175.37, which include:

- ✦ Must currently own the asset being leased to the beginning farmer
- ✦ Eligible to own land under corporate farming laws
- ✦ Not at fault for terminating a prior lease
- ✦ Not a part to pending legal action regarding violation of AFO's
- ✦ Not classified a habitual violator by DNR
- ✦ Can have more than one tax credit/lessee
- ✦ At fault terminations must re-pay redeemed credits

General Guidelines:

- ✦ A definition of Agricultural Assets is stated as "agricultural land, depreciable property, crops or livestock"
- ✦ In order to receive the tax credit, you must execute a contract for the transfer of the assets
- ✦ Contracts can be as short as two years or as long as five years, upon entry into the program
- ✦ The tax credit is limited to those items addressed in the contract
- ✦ A copy of the contract must be included with the application to the IADD
- ✦ The tax credit will be issued in the taxpayer's name for the amount of 7 percent of a cash contract, and 17 percent for a commodity shares based contract
- ✦ The tax credit can be used for personal or corporate Iowa income taxes, however, the tax credit will be issued to the corporation, unless specifically requested to have it issued to the individuals



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

- ✦ The taxpayer is at fault for terminating a previous contract under the Iowa Beginning Farmer Tax Credit Act
- ✦ The taxpayer has any administrative or judicial actions against him related to violations involving an animal feeding operation
- ✦ The taxpayer is classified as a habitual violator for violations involving animal feeding operations

Provisions

- ✦ 2-5 year lease term
- ✦ Renewable at expiration (if qualifications are met)
- ✦ Tax Credit Amount is
- ✦ 5.0% of rental income received = cash contract
- ✦ 15.0% of owners share of product = commodity/livestock share agreement
- ✦ Flex leases are acceptable, but credit will be calculated on the cash base only, no additional credit will be calculated or issued on the flex terms
- ✦ Lease value must not be substantially higher or lower than market value for the area
- ✦ Can carry unused credits forward 10 years
- ✦ No carry back
- ✦ Related party transactions are accepted
- ✦ Non-refundable application fee
- ✦ Material changes to lease (cannot add acres or increase rent arbitrarily) cannot increase the original credit amount approved
- ✦ Must notify IADD before any change to the lease