



# Instructions for 2016 Beginning Farmer Tax Credit Application

## Application Fees/ Deadlines

1. All application materials must be received by **September 1, 2016**.
2. Applications will not be approved by the IADD Board until they are complete. Applications that are missing items will be held until all required information is received. A portion of the application fee will be returned if an application is withdrawn.

## Asset Owner

1. If the agricultural asset owner is a partnership, LLC, corporation, estate, or trust:
  - a. One tax credit certificate will be issued to the federal tax id number of that entity.
  - b. The beginning farmer cannot have more than a 33% ownership interest in the leased asset. If the beginning farmer has **any** ownership interest in the leased asset, **the articles of incorporation for that entity showing all owners and % of ownership must be included with the application.** The tax credit will be reduced by the percentage of ownership the beginning farmer has in the entity.
2. If the agricultural asset is owned by multiple individuals or by an entity that does not have its own tax id number or by a married couple that files their taxes separately, each owner must complete and sign the application. If the asset is owned jointly by a married couple that files their taxes jointly, only the taxpayer needs to complete the form.
3. **If the lease is between parents and child(ren), complete the Parent/Child Certification stating that all managerial and operational decisions will be done by the beginning farmer.**
4. **The name(s) of the asset owner(s) listed on the FSA 156 form must match the name of the asset owner(s) on this application and on the lease. This is the most common reason applications cannot be approved.**
5. The asset owner cannot:
  - a. Be at fault for terminating a prior lease to a beginning farmer.
  - b. Be a party to a pending administrative action, judicial action, or a contested case relating to an alleged violation involving an animal feeding operation regulated by the Iowa Department of Natural Resources.
  - c. Be classified as a habitual violator for a violation of state law involving an animal feeding operation as regulated by the Iowa Department of Natural Resources.
  - d. Terminate the lease if the beginning farmer has complied with all lease terms.

## **Beginning Farmer**

1. The beginning farmer must be a resident of the state of Iowa.
2. The beginning farmer must be of low or moderate net worth. For 2016, this is defined as having net worth less than \$672,171. A financial statement prepared with the assistance of a lender, CPA, FSA officer or other financial professional within 30 days of submission of the application must be submitted with the application. The financial statement must be signed by the beginning farmer and the financial professional. If the beginning farmer is married, the financial statement must also be signed by the spouse.
3. If the beginning farmer is part of a partnership, corporation or LLC a financial statement is also required of that entity. It must also be signed by all parties. The articles of incorporation must also be included with the application.
4. **The name of the operator listed on the FSA 156 form must match the name of the beginning farmer on this application and on the lease.**
5. If the beginning farmer is a veteran, include the DD 214 with the application.
6. **If the lease is between parents and child, complete the Parent/Child Certification stating that all managerial and operational decisions will be made by the beginning farmer.**
7. The beginning farmer must provide a background letter with the application that describes his/her education, training and/or experience in the type of farming for which the tax credit will be issued. An additional letter can be written by another person knowledgeable about the beginning farmer.
8. The beginning farmer must own or have access to farm equipment, machinery or livestock. Information about access to equipment should be explained in the background letter.
9. The beginning farmer must perform the duties required to farm the asset according to the lease. The beginning farmer cannot sub-lease to any other person or entity.
10. The beginning farmer must have access to adequate working capital and must assume the financial risk associated with operating the agricultural asset subject to the lease.
11. If the beginning farmer is found to be in violation of these requirements, a tax credit will not be issued and the matter will be referred to the Iowa Department of Revenue for potential administrative or judicial review.
12. An eligible beginning farmer will continue to be eligible for the term of the lease even if the beginning farmer's net worth increases to exceed the maximum net worth.

## **Acceptable Projects, Activities, Contracts**

1. Eligible agricultural assets:
  - a. Eligible assets to be leased include: agricultural land, buildings and depreciable property (machinery, equipment, and breeding livestock) used for farming purposes.
  - b. The agricultural assets involved with the lease must be located in the state of Iowa.

## 2. Ineligible assets:

- a. The rental of a rural residence is not permitted. If a residence is part of the lease agreement, the lease value of the residence should be specifically identified so it can be excluded from tax credit calculations.
- b. The rental of farmland that is enrolled in CRP is not permitted. If CRP land is part of the lease agreement, the lease value of the CRP ground should be specifically identified so it can be excluded from tax credit calculations.
- c. Feeder cattle, feeder pigs, feeder lambs, feeder chickens or feeder turkeys do not qualify as depreciable property and are not eligible under the program. Other animals such as horses or those classified as exotic are eligible if they are a viable farming operation, are depreciable property under IRS code, and are not considered a hobby farm.

## **Requirements for Leases**

1. There must be a written lease signed by both parties included with the application. It must be current and must specify:
  - a. Asset owner and tenant (**names on the lease must match those on the application and the FSA 156 form – including any spouses listed**).
  - b. The agricultural assets involved with the lease, the location of the property, the volume of the lease (i.e., number of acres, pieces of equipment, number of animals).
  - c. The term of the lease including starting and ending dates. **These dates must be current and must match the dates entered on the Lease Summary Sheet of application**
  - d. The specifications of payment under the lease.
2. The term of the lease must be a minimum of two years and a maximum of five years with specific starting and ending dates noted.
3. Flex leases will not receive any tax credit bonus for bonus yields. Flex leases will be calculated only on a base cash rent and will receive a 7% tax credit on the amount of the cash rent.
4. A crop share lease does not have to be the traditional 50/50 lease terms, but must explain factors in the beginning farmer's background letter as to why asset owner will receive more or less than 50%. **The beginning farmer must receive at least 33% of the crop.**
5. The amount of cash rent does not have to remain the same for the entire term of the lease but the actual cash rents must be specified in the lease agreement for each year.
6. Upon expiration of the lease, the asset owner and beginning farmer may re-apply.
7. A beginning farmer may have a lease with a related person such as siblings, parents or grandparents.
8. The beginning farmer cannot have more than a 33% ownership interest in the asset being leased.

## **Changes to the Lease**

1. Modifications to the original lease are allowed if:
  - a. There is a life changing event, (death or divorce).
  - b. Revised terms are beneficial for the beginning farmer tenant.
2. An IADD “Request to Adjust Lease Terms or Conditions” must be submitted and approved **prior** to any lease amendments becoming effective.
3. If the name of the asset owner changes, a new lease and 156 form will be required showing that change

## **Lease Termination**

1. An asset owner or beginning farmer may terminate a lease only if explained fully in the lease agreement.
2. The asset owner **and** beginning farmer must immediately notify the IADD of the termination so no further tax credits are issued. If the asset owner does not immediately notify the IADD of a termination, the asset owner shall be deemed at fault for the termination.
3. If the IADD determines the asset owner is not at fault for the termination, all prior tax credits are allowed.
4. If the IADD determines that the asset owner is at fault for the termination, any prior tax credits claimed will be recaptured and the amount of the tax credits claimed along with penalties and interest will be immediately due and payable to the Iowa Department of Revenue.

## **Tax Credits**

1. A tax credit certificate will be issued for in January for each year of the lease. If the agricultural asset owner is a partnership, LLC, corporation, estate, or trust, only one tax credit certificate will be issued for the entity.
2. The tax credit is a non-refundable credit. If tax credit exceeds the amount of Iowa State income taxes owed, any excess credits can be used for up to ten years. To redeem the credit use State of Iowa Tax Form IA 148 – Tax Credit Schedule.
3. If an agricultural asset owner has multiple leases with qualified beginning farmers, they will receive one tax credit certificate that consolidates all of the respective lease tax credit amounts.
4. The total amount of Iowa income tax credits allowed per asset owner and/or application per year is \$50,000.

## **Calculating the Tax Credit Amount**

1. Whether the lease is cash rent or a crop share, an additional 1% will be added in the first year only if the Beginning Farmer is a military veteran.
2. Cash Rent Lease

The agricultural asset owner will receive a tax credit equal to 7 percent of the rental income received.

**Cash Rent Example** – A beginning farmer leases 160 acres of crop ground for \$200 per acre for a total of \$32,000 in gross rental income. The tax credit is \$2,240 ( $\$32,000 \times 7.00\%$ ).

3. Crop Share Lease

- a. All acres will be allocated with 50% to corn and 50% to soybeans – these will be the number of tillable acres consistently used for the entire term of this tax credit project.
- b. All tax credit calculations will be completed with the respective county's previous year's historical average T-yield data and the previous year's RMA Iowa fall price. This information will be posted on the IADD website.

**Crop Share Lease Example** – A beginning farmer leases 160 acres of crop ground on a 50/50 share basis with ½ acres allocated to corn and ½ acres to soybeans. Calculation of:

$$\text{Corn} = 80 \text{ acres} \times 167^* \text{ bu/acre} \times 50\% \times \$3.83 \times 17\% = \$4,349.35$$

Total corn crop is 13,360 bushels; owner's share is 6,680 bushels.

$$\text{Soybeans} = 80 \text{ acres} \times 48^* \text{ bu/acre} \times 50\% \times \$8.91 \times 17\% = \underline{\underline{\$2,908.22}}$$

Total soybeans crop is 3,840 bushels; owner's share is 1,920 bushels.

$$\text{Total share lease tax credit} = \$7,257.57$$

\*Corn and soybean yields will be calculated based on the county's T-yields

4. Flex Lease Agreements

- a. Flex leases will be calculated only on a base cash rent
- b. They will receive a 7% tax credit on the amount of the cash rent.
- c. **No tax credit will be given on the flex lease bonus portion of the lease.**



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# 2016 Beginning Farmer Tax Credit Application Checklist

Application deadline: **September 1, 2016**

## The following attachments **MUST** be included with the Beginning Farmer Tax Credit application

- Completed BFTC application, typed or printed.** Both the Asset Owner and the Beginning farmer must complete and sign the application.
- Application Fee payable to the Iowa Agricultural Development Division (IADD)**

Cash Rent	Before July 1	After July 1
2 years	\$300	\$350
3 years	\$350	\$400
4 years	\$400	\$450
5 years	\$450	\$500

Crop Share	Before July 1	After July 1
2 years	\$400	\$450
3 years	\$500	\$550
4 years	\$600	\$650
5 years	\$700	\$750

- If lease is between parents and child(ren) complete the Parent/Child Certification stating that all managerial and operational work will be done by the beginning farmer.
- Include a current financial statement showing the beginning farmer's current net worth. **For 2016, the beginning farmer's net worth cannot be more than \$672,171.** The financial statement must be:
  - Completed within 30 days of submission of the application.
  - Completed with the assistance of a lender, CPA, FSA officer or other financial professional.
  - **Signed by applicant and financial professional.**
  - If Beginning Farmer is married, the financial statement must also include and be signed by spouse.

**A financial statement is also required of any entity in which the beginning farmer has a financial interest. It must also meet the above criteria and be included in the beginning farmer's financial statement.**

- A background letter containing the following information about the beginning farmer:
  - Experience, training and/or education to carry out lease agreement.
  - Access to adequate farm machinery and equipment.
  - Access to operating capital and who will supply this capital.
- If Beginning Farmer is a military veteran, attach DD Form 214 or other documentation. An additional 1% tax credit is given the first year of the lease if the beginning farmer is a military veteran.
- Copy of the lease **signed** by both the asset owner and beginning farmer must be included.
- Current USDA Farm Service Agency (FSA) 156 Form for all tracts and acres involved in the lease.
  - **The names on the FSA 156 form must match the name of the Asset Owner (Owner) and Beginning Farmer (Operator) on this application and on the lease.**
  - The location of the project in the lease must match the location on the 156 Form.
  - If the names or location on the 156 Form do not match, contact USDA to make the necessary changes or make changes to this application and/or lease so the names on all are the same.

**Questions: Call Steve Ferguson at 515-725-4928 or email [IADD@iowa.gov](mailto:IADD@iowa.gov)**

**Mail all application materials and application fee to address below**



# 2016 Beginning Farmer Tax Credit Application

<b>FOR IADD USE ONLY</b>	
Project No:	_____
Fee Received:	_____
Date Received:	_____
Military Veteran	<input type="checkbox"/> YES <input type="checkbox"/> NO

**This page is completed by the ASSET OWNER  
print or type all information**

**To be completed if Asset owner is a C-Corp, S-Corp, LLC, Trust or Partnership with a Tax ID:  
If none of these, skip this page and go to next page**

Asset is owned by (choose one):  C-Corp  S-Corp  LLC  Trust  Partnership

Is Beginning Farmer a part owner?  Yes  No **If Yes**, a copy of the articles of incorporation showing all owners and the % of ownership for each owner must be included with the application.

Name of Asset owner/Business \_\_\_\_\_

Name of Asset owner **MUST** match name of landowner on FSA 156 Form

Name of primary contact person: \_\_\_\_\_

Address \_\_\_\_\_ Telephone (\_\_\_\_) \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

E-mail address \_\_\_\_\_

Applicant SSN or FEIN: \_\_\_\_\_

**One tax credit certificate will be issued per entity**

**If lease is between parents and child(ren) complete the Parent/Child Certification stating that all managerial and operational work will be done by the beginning farmer (see page 6).**

### CERTIFICATIONS OF ASSET OWNER

In submitting this application, I, the undersigned Agricultural Asset Owner, have read the following statements and hereby certify and agree that:

1. I currently own the asset being leased to the beginning farmer.
2. I am not a party to a pending administrative or judicial action relating to an alleged violation involving an animal feeding operation. I have not been classified as a habitual violator by the Dept. of Natural Resources or Attorney General.
3. The agricultural assets being leased are not rented at a rate which is substantially higher or lower than the market rate for similar agricultural assets leased or rented within the same community.
4. I understand that leases cannot be subleased to another person or lease cannot be canceled until lease expires.
5. I plan to retain the property for the term of the lease. I understand that the tax credit **cannot** be transferred or assumed by another person or entity and no person to whom the property is traded or otherwise transferred may obtain the benefits of the tax credit unless a **Request to Adjust Lease Terms or Conditions** is submitted and approved by the Authority.

### CONFIDENTIAL TAX RELEASE OF INFORMATION

The undersigned is an applicant or recipient of a tax credit by the Iowa Agricultural Development Division (IADD) of the Iowa Finance Authority (IFA). The undersigned hereby authorizes IFA to provide Department of Revenue information on file pertinent to this tax certificate and for the Department of Revenue to provide IFA related information.

I certify that the above information and all attachments are correct and true to the best of my knowledge. Furthermore, I agree to adhere to all rules and regulations of the Agricultural Assets Transfer Tax Credit Program.

If application is completed by a management company or other third party, I certify that I am legally authorized to sign on behalf of the asset owner.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Asset Owner



# 2016 Beginning Farmer Tax Credit Application

<b>FOR IADD USE ONLY</b>	
Project No:	_____
Fee Received:	_____
Date Received:	_____
Military Veteran	<input type="checkbox"/> YES <input type="checkbox"/> NO

**This page is completed by the ASSET OWNER  
print or type all information**

**To be completed if Asset owner is an Individual, Joint ownership or Partnership (without its own tax ID number) – each owner must complete this page separately:**

Name of Asset owner \_\_\_\_\_

Name of Asset owner **MUST** match name of landowner on FSA 156 Form

Name of primary contact person: \_\_\_\_\_ Spouse: \_\_\_\_\_

Address \_\_\_\_\_ Telephone (\_\_\_\_) \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

E-mail address \_\_\_\_\_

Applicant SSN or FEIN: \_\_\_\_\_

Percentage of Ownership: \_\_\_\_\_

**If lease is between parents and child(ren) complete the Parent/Child Certification stating that all managerial and operational work will be done by the beginning farmer (see page 6).**

### CERTIFICATIONS OF ASSET OWNER

In submitting this application, I, the undersigned Agricultural Asset Owner, have read the following statements and hereby certify and agree that:

1. I currently own the asset being leased to the beginning farmer.
2. I am not a party to a pending administrative or judicial action relating to an alleged violation involving an animal feeding operation. I have not been classified as a habitual violator by the Dept. of Natural Resources or Attorney General.
3. The agricultural assets being leased are not rented at a rate which is substantially higher or lower than the market rate for similar agricultural assets leased or rented within the same community.
4. I understand that leases cannot be subleased to another person or lease cannot be canceled until lease expires.
5. I plan to retain the property for the term of the lease. I understand that the tax credit **cannot** be transferred or assumed by another person or entity and no person to whom the property is traded or otherwise transferred may obtain the benefits of the tax credit unless a **Request to Adjust Lease Terms or Conditions** is submitted and approved by the Authority.

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I certify that the above information and all attachments are correct and true to the best of my knowledge. Furthermore, I agree to adhere to all rules and regulations of the Agricultural Assets Transfer Tax Credit Program.

If application is completed by a management company or other third party, I certify that I am legally authorized to sign on behalf of the asset owner.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Asset Owner

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Spouse if married filing separately



# Lease Summary

1. Location of Project -- List the county and township names with section numbers (e.g. Section 26, Bristol Township, Any County, IA) **This description MUST match the land description on the FSA 156 Form.**

County: \_\_\_\_\_ County: \_\_\_\_\_ County: \_\_\_\_\_  
Township: \_\_\_\_\_ Township: \_\_\_\_\_ Township: \_\_\_\_\_  
Section: \_\_\_\_\_ Section: \_\_\_\_\_ Section: \_\_\_\_\_

2. Type of application **CHECK ONE:**  Cash Rent  Crop Share  Flex/ Other

3. Beginning date of lease \_\_\_\_\_ Ending date of lease \_\_\_\_\_

4. Asset being leased:  Land  Machinery  Building(s)  Breeding Livestock

**INCLUDE THE TERMS FOR EACH YEAR OF THE LEASE**  
If lease has complex terms, contact IADD prior to submitting application  
to confirm understanding of how the tax credit will be calculated

5. For land leases, detail the type and the terms of the lease

**CASH RENT:** \_\_\_\_\_ Number of crop acres in cash rent lease

1<sup>st</sup> year \$: \_\_\_\_\_ 2<sup>nd</sup> year \$: \_\_\_\_\_ 3<sup>rd</sup> year \$: \_\_\_\_\_ 4<sup>th</sup> year \$: \_\_\_\_\_ 5<sup>th</sup> year \$: \_\_\_\_\_

The amount of cash rent charged does not have to be the same each year  
but cash rent amount must be stated in the lease

**CROP SHARE:** \_\_\_\_\_ Number of crop acres in crop share rent lease

**Beginning Farmer must receive at least 33% of the crop each year**

Asset owner to receive following share of production:

1<sup>st</sup> year %: \_\_\_\_\_ 2<sup>nd</sup> year %: \_\_\_\_\_ 3<sup>rd</sup> year %: \_\_\_\_\_ 4<sup>th</sup> year %: \_\_\_\_\_ 5<sup>th</sup> year %: \_\_\_\_\_

**For FLEX/BONUS leases, the Tax Credit will be calculated on cash rent base ONLY.**  
**No tax credit will be given on the flex lease bonus portion of the lease.**

6. For leases of machinery, breeding livestock or buildings, describe the lease terms (No variable factors to be included in lease terms): \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**A COPY OF THE ACTUAL LEASE SIGNED BY BOTH THE ASSET OWNER AND BEGINNING FARMER MUST BE INCLUDED WITH THIS APPLICATION**

**Mail all application materials and application fee to the address below**

# 2016 Beginning Farmer Tax Credit Application



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## Parent Child Certification

**If the lease will be between a parent and child or children,  
this form must be signed by both the parent as the asset owner  
and the child as beginning farmer.**

We certify the following to be true:

1. The beginning farmer has the education, training and/or experience for the type of farming required for the lease.
2. The beginning farmer will make all operational and managerial decisions on the property covered by the lease
3. The beginning farmer will perform the labor necessary to fulfill the lease conditions.
4. The beginning farmer has access to working capital, farm equipment, machinery and/or livestock to fulfill the conditions of the leases.
5. The beginning farmer will be responsible for all financial expenses necessary to lease and manage the property.

The undersigned is an applicant or recipient of a tax credit by the Iowa Agricultural Development Division (IADD) of the Iowa Finance Authority (IFA).

I certify that the above information and all attachments are correct and true to the best of my knowledge. Furthermore, I agree to adhere to all rules and regulations of the Agricultural Assets Transfer Tax Credit Program.

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Date

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Signature of Asset Owner

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Date

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Signature of Beginning Farmer