Department of Revenue

Beginning Farmer Tax Credit Program

Beginning Farmer Tax Credit
and
Custom Farming Contract Tax Credit

Tax Credit Evaluation Study

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Preface

Iowa Code Section 2.48 directs the Department of Revenue to review certain tax expenditures it administers. The review shall consist of evaluating the tax credit and assess its equity, simplicity, competitiveness, public purpose, adequacy, and extent of conformance with the original purpose of the legislation that enacted the tax expenditure, as those issues pertain to taxation in Iowa. The schedule provided in this section requires a review in 2025 of the Beginning Farmer Tax Credit Program, authorized by Iowa Code Sections 16.77-82A. This is the Department of Revenue's third evaluation study completed for this expenditure. Prior studies were completed in 2015 and 2020.

As part of the evaluation, an advisory panel was convened to provide input and advice on the study's scope and analysis. We wish to thank the members of the panel:

Aaron Smith	Iowa Finance Authority
Liesl Eathington	Iowa State University
Tim Johnson	Iowa Farm Bureau Federation

Additional panel assistance was provided by Iowa Finance Authority consultants Nicki Howell and Tammy Nebola. The assistance of an advisory panel implies no responsibility for the content and conclusions of the evaluation study. This report was also reviewed by Robin Anderson, Ph.D., State Chief Economist and Division Administrator of the Research and Policy Division. This study and other evaluations of Iowa tax credits can be found in the evaluation study web page on the Iowa Department of Revenue website.

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Executive Summary

The Beginning Farmer Tax Credit is a tax credit available to eligible taxpaying farm asset owners who lease land or other agricultural assets to qualified beginning farmers. Enacted in 2007, the Beginning Farmer Tax Credit's intent is to incentivize landowners to rent land, equipment, or buildings to new or beginning farmers who may not yet have the financial resources to purchase their own assets.

The major highlights of the study are below:

Introduction

- The Beginning Farmer Tax Credit is allowed for eligible taxpayer agricultural asset owners that are engaged in a lease or rental agreement with a qualified beginning farmer. The taxpayer asset owner cannot be a partner of a partnership, shareholder of a family farm corporation, or member of a family farm limited liability company that is the lessee of an agricultural asset that is part of an agricultural lease agreement.
- A beginning farmer means an individual, partnership, family farm corporation, or family farm limited liability company, with a low or moderate net worth that engages in farming or wishes to engage in farming. "Low or moderate net worth" is defined as a net worth that does not exceed the maximum allowable net worth established by the Iowa Finance Authority (IFA). This maximum net worth is set annually. For calendar year (CY) 2025, the maximum net worth allowable to be considered a beginning farmer is $820,000.
- Assets eligible for the tax credit include agricultural land, depreciable machinery or equipment, buildings, bin storage, and breeding livestock. The rental of a rural residence, subleased assets, or land enrolled in the federal Conservation Reserve Program (CRP) are not permitted and, if included in the submitted lease agreement, the value of the residence or land is excluded from the tax credit calculations.
- There are three different types of agricultural asset agreements with associated tax credit award rates, ranging from 5.0 to 15.0 percent, an asset owner who leases land or other agricultural assets to a qualified beginning farmer may elect to engage in. The amount claimed by the individual asset owner is based upon the proportional share of their earnings from the asset.
- The lease obtained by the qualified beginning farmer must be for a term of two to five years and cannot be at a rate that is substantially higher than the market rate for similar agricultural assets leased or rented within the same community. The lease can be renewed for at least two-year terms with no limitation on the amount of times it is renewed.
- In 2022, a limitation was put in place that restricted an asset owner who first participated in the tax credit program beginning on or after January 1, 2019 from participating in the tax credit program for more than 15 years. However, asset owners who first participated in the tax credit program prior to this date had no participation limitation set. Further, the annual $50,000 tax credit claim cap for an asset owner who had entered into multiple agreements, with $50,000 tax credit award caps for

each agreement, with different qualified beginning farmers in a given year was removed. There is an annual $12.0 million funding cap for the program.

Federal and State Incentives for Beginning Farming

- At the federal level, as of 2025, while there are several tax credits, deductions, and refunds that directly or indirectly benefit farmers or farming operations, there is no tax credit for the transfer of land or other assets to beginning farmers, for the rental of land to beginning farmers, or for contracting with beginning farmers for custom work. However, the federal Agriculture Improvement Act of 2018, also known as the 2018 Farm Bill, initiatives and U.S. Department of Agriculture (USDA) programs implement a wide range of programs designed to support beginning farmers, addressing barriers related to land access, capital, credit, training, and conservation.
- Aside from the BTFC, the State of Iowa also administers land, capital, and infrastructure programs designed to reduce barriers for beginning farmers.
- Between 2015 and 2025, six states including Colorado, Minnesota, Nebraska, Ohio, Pennsylvania, and Wisconsin have provided tax credits or deductions to eligible farm asset owners who lease land or other agricultural assets to qualified beginning farmers, similar to the Iowa BTFC. During this time, both the Colorado Agricultural Lease Deduction Program and the Wisconsin Beginning Farmer and Farm Asset Owner Tax Credit Program have ended

Literature Review

- Since the 1970s, Iowa agriculture has undergone significant structural changes marked by increasing specialization in corn and soybean production, consolidation of farmland, and adoption of labor-saving technologies. These trends have resulted in a decline in the number of independent farms with a corresponding rise in average farm size. Today, in the 2020s, the Iowa agricultural system is heavily shaped by federal subsidies, global commodity markets, and technological innovation.
- Despite nearing traditional retirement age, many farmers exhibit reluctance to retire. Two major factors contribute to a farmers' delayed retirement: financial necessity and a lack of succession planning. Many farmers rely on farm income for retirement, yet often lack sufficient savings. As older farmers remain active, they continue to occupy roles that could otherwise be filled by beginning farmers, raising concerns about generational renewal, which is essential for the long-term sustainability of the agricultural sector.
- Beginning farmers, whether young, middle-aged, or older, commonly lease land when starting out because most do not inherit the land they operate. Over time, they typically increase land ownership and rely less on leased acreage. Younger beginning farmers are especially likely to use land leasing as an entry strategy and tend to operate smaller farms than older or more established farmers.
- Beginning farmers are more likely than established farmers to face limitations in accessing credit due to lower net worth and a shorter business history to demonstrate their ability to repay loans.
- As beginning farmers are typically less diversified and more financially constrained, they are particularly vulnerable to export disruptions and declines in commodity prices.

- Possible measures of beginning farm business success include financial performance, business longevity, and farm size growth. However, the goal structure that a principal farm operator uses to define success is essential to understanding how beginning farmers conceptualize success.

Descriptive Overview of Beginning Farming in Iowa

- According to estimates based on the 2022 annual Agricultural Resource Management Survey (ARMS), there are 86,911 farms in Iowa operated by 153,680 producing operators, which can be full, part-time, or tenant producers operating with one to five or more producers per farm.
- Of these farms, 25,914 farms, or 29.8 percent, involve new or beginning farmer producing operators, in some capacity, as defined by the USDA's definition of ten or fewer years of farming experience.
- According to the USDA definition of new and beginning farmers, this group comprises 100.0 percent of farm producers under the age of 25, 77.7 percent of those aged 25 to 34, 11.1 percent of producers aged 65 to 74, and 4.9 percent of those 75 and older.
- In Iowa, beginning farmers account for 25.3 percent of all male and 30.1 percent of all female farm operators. Only 14.4 percent of producing operators are new and beginning farmer producers who consider farming to be their primary occupation. Only 20.8 percent of all farms operators who state their primary place of residence is on the farm they operate are new and beginning farmers.
- New and beginning farmer producers operate on 39.9 percent of owned land in farms and 30.5 percent of land rented or leased in farms in Iowa. However, despite this, they operate on an average of 22.0 percent of all acreage in both categories, which highlights the limited scale of farm operations involving new and beginning farmers in Iowa.
- New and beginning farmer operators participate in 17.3 percent of all oilseed and grain production in Iowa. Of all producing operators, new and beginning farmers represent the majority share, or 52.6 percent of all greenhouse, nursery, and floriculture farm production and 45.1 percent of all vegetable, melon and fruit or nut tree production in Iowa. Beef cattle represent the lowest proportion of new or beginning farmer operator participation, at less than 10.0 percent.

Descriptive Statistics of Program Awards and Claims by Asset Owners

- From the start of the program in 2007 through 2024, $91.6 million in tax credits have been awarded to asset owning taxpayers with a total of 17,310 tax credit certificates issued.
- Since 2007, 51,612 tax credit claims have been made for $74.9 million for the tax credit as a whole. Of these claims, 51,367 tax credit claims for $74.7 million have been for the Beginning Farmer Tax Credit and 275 tax credit claims for $346,757 have been for the Custom Farming Contract Tax Credit.
- In all but two years of the tax credit's 17-year duration, tax credit claims amounts have steadily increased each year. On average, between 2008 and 2022, tax credit claim amounts increased 13.3 percent a year.

- A ten-year carryforward period to claim a tax credit is somewhat unique compared to other Iowa tax credits. Of note, in 2023, tax credit claim amounts deviated from the average annual growth discussed above and increased significantly, by 67.3 percent, from $6.6 million in 2022, to $11.1 million. While the number of tax credit claims increased fairly, by 14.4 percent from 2022 to 2023, the increase in tax credit claimants did not parallel the 67.3 percent increase in tax credit claim amounts. Further, 69.9 percent of 2023 tax credit claim amounts were the result of remaining tax credit award balances carried-forward and claimed from the ten previous years. Accordingly, the increase was significantly attributable to a 2021 legislative change which removed the annual $50,000 tax credit claim cap for an asset owner who had entered into multiple agreements, with $50,000 tax credit award caps for each agreement, with different qualified beginning farmers in a given year.

Economic Analysis of the Beginning Farmer Tax Credit Program

- Previous evaluations have focused primarily on beginning farmers who receive leased assets and have examined how participation in the program relates to successful entry into farming, positive economic outcomes, and long-term viability in the occupation. In contrast, this economic analysis considers BTFC Program incentives offered to asset owning taxpayers to lease land, equipment, or buildings to new or beginning farmers who may lack the financial resources to purchase these assets compared to Iowa income tax law incentives for retiring agricultural asset owners when leasing or selling agricultural assets in general. In order to assess the link between asset owner program participation in the BTFC program within the current tax climate for 2023 and 2024 tax years that includes income tax exclusions or deductions for the lease or sale of agricultural assets, this analysis compares asset owners between 2007 and 2022 who participated in the BTFC program to those who have utilized the one-time, lifetime Iowa tax law benefits for retired farmers.

- The past BTFC program participants between 2007 and 2022 who have elected to leave the Program in the past or who have not elected to continue with the tax credit are identified within "retired farmers" who have elected either the lifetime exclusion of eligible farm rental income or deduction of capital gains of farm assets from Iowa taxation now or in the future post the 2023 Iowa tax year. Further, they are identified in regards to the ratio of average income tax incentive savings with newly available tax exclusion or deduction for the retired farmer compared to those average tax credit incentives available within the BTFC.

- For tax year 2023 and partial tax year 2024, the first two tax years of the exclusion, 962 unique, individual asset-owning tax payers who qualify for the Retired Farmer Farm Lease Income Exclusion have elected to exclude income derived from written farm tenancy agreements from their individual income taxes. Of these farm tenancy income exclusions, 74 individuals in unique agreements, or 7.7 percent, were identified as former BTFC asset owners and/or beginning farmer participants. The average, annual income from a lifetime income tax excluded lease agreement is $72,105. At the assumed income tax rate identified within the analysis, this would result in an estimated, average annual income tax exclusion of $4,110 a year. At the BTFC program tax credit rate, this same amount, should there be awarded funds remaining to claim against income tax liability, would be $2,809 to $8,426 given the form of the lease agreement.

- For tax year 2023 and partial tax year 2024, the first two tax years of the deduction, 101 unique, individual asset owning tax payers who qualify for the Retired Farmer Capital Gain Deduction have elected to deduct capital gains income derived from the sale of real property used in farming. Of these electing to sell their operations, 22 individuals, or 21.8 percent, were identified as former BTFC asset owners and/or beginning farmer participants. The average, onetime income from an excluded lifetime farm asset sale is $512,921. At the assumed capital gains tax rate identified above, this would result in an estimated income tax exclusion of $29,237 in a given tax year.
- Notably, many of the former BTFC asset owners who elected for a lifetime exclusion of lease income, also elected to continue lease agreements with former BTFC beginning farmers. This instance predominantly occurred when the former BTFC asset owner was related to the former BTFC beginning farmer. Given that the average BTFC income tax claim for tax year 2023 was $2,547, but the average annual income tax exclusion of lease income for a retired farmer who previously participated in the BTFC program is $4,110 a year, this suggests there is possibly an overall increased incentive to elect out of the BTFC Program to transition to the Retired Farmer Farm Lease Income Exclusion option when leasing to a beginning farmer as defined by the BTFC Program or not.
- Although 27.2 percent of former BTFC Program retired farmers who elected to use the onetime capital gains deduction sold their farm assets to a family member, none sold to any known former BTFC beginning farmers. Likewise, none of the former BTFC beginning farmers who purchased agricultural assets from retired farmers using the onetime capital gains deduction bought those assets from a known former BTFC participant. These findings suggest that, in agricultural succession planning, retired farmers who choose to sell their assets, but lack identified successors, are more strongly motivated by the prospect of a lump sum retirement income with the assistance of the onetime deduction incentive to sell to the highest bidder. This incentive appears to outweigh the benefits of continuing to lease their assets to BTFC beginning farmers as defined by the Program in cases where farmers are deciding between selling assets for retirement income verses maintaining lease agreements with BTFC beginning farmers or electing to sell to beginning farmers.

I. Introduction

The Beginning Farmer Tax Credit is a tax credit, which has been known by other past names[1] and concluded sub-programs[2], is administered by the Iowa Finance Authority (IFA) and is available to eligible taxpaying farm asset owners who lease land or other agricultural assets to qualified beginning farmers. Enacted in 2007, the Beginning Farmer Tax Credit's intent is to incentivize landowners to rent land, equipment, or buildings to new or beginning farmers who may not yet have the financial resources to purchase their own assets. This evaluation study describes and analyzes the economic aspects of the tax credit with attention to its state-level participation and policy implications associated with farming operations for beginning farmers. The evaluation study consists of six sections.

Section I of this study includes a brief history of the tax credit and provides a program description of the tax credit, including its purpose, eligibility requirements, provisions, tax credit rates, application, and funding.

Section II provides an overview of additional federal and Iowa tax credits and related programs incentivizing beginning farmers. Further, it surveys programs similar to the Beginning Farmer Tax Credit programs among the 50 states.

Section III provides a review of literature concerning investment tax credits, including reports of academic research as well as other published information.

Section IV provides an overview of descriptive statistics concerning the Beginning Farmer Tax Credit; these pertain to basic program parameters pertaining to program projects, participating beginning farmers, tax credit awards, claims, and assets owners.

Section V provides an analysis of the economic effects of the Beginning Farmer Tax Credit, with particular attention to evidence on whether beginning farmers as defined by the program continued to operate as farmers beyond program involvement and for a period of time that transitioned them from beginning farmers to established farmers and if their program experience related to different levels different outcomes with respect to longevity and economic outcomes.

Section VI provides a brief discussion of the evaluation study conclusions.

A. Background

On January 1, 2007, the Iowa Beginning Farmer Tax Credit, also known as the Agricultural Assets Transfer Tax Credit at the time, began as a tax credit available to owners of

[1] From 2007-2018, the Beginning Farmer Tax Credit was called the Agricultural Assets Transfer Tax Credit. Due to the passage of 2019 House File 768, its name was formally changed to the Beginning Farmer Tax Credit. However, no significant structural program details of the tax credit were altered.

[2] In the past, the Custom Farming Contract Tax Credit was included in the Beginning Farmer Tax Credit and available to owners of agricultural assets to encourage leases and contracts with beginning farmers in the State. As of January 1, 2018, the Custom Farming Contract Tax Credit expired, but claims were still made and awarded to farm owners who engaged the custom farm services of eligible beginning farmers until it reached its funding cap.

agricultural assets who leased or rented these assets to a beginning farmer. According to a January 7, 2007 *Des Moines Register* article, Harold Ubben, who intended to lease 287 acres of cropland to his son, Ronald, was the first tax credit applicant. Said Ubben, "There are a lot of barriers to farmers who want to get started. Farmers are farming until they are 70 and we've got some big farmers up here and it's tough to compete with them on renting land". Ubben estimated the tax credit would save him $1,797 a year on his income taxes, or $6.23 an acre, and stated he intended to pass the savings to his son.[3]

Initially, in 2007, the tax credit awarded to an agricultural asset owner was 5.0 percent or 15.0 percent, depending on the type of lease agreement between an asset owner and a qualified beginning farmer, of the amount paid to an asset owner by a qualified beginning farmer leasing their asset. Tax credits in excess of tax liability for awards issued in 2007 could carryforward for up to five years; any unclaimed tax credits for awards subject to this five-year limitation expired in tax year 2012. Between 2007 and 2012, tax credit award rates stayed the same, but beginning on or after January 1, 2008, any tax credit awards issued in excess of tax liability were allowed to carryforward for up to ten years, which was a change from the previous five years allowed for awards issued in 2007.

The most significant modification to the tax credit came in 2013 with the inclusion of the Custom Farming Contract Tax Credit. The Custom Farming Contract Tax Credit was included from 2013 through 2017. The term "custom farming" typically refers to an arrangement wherein a non-land-owning farmer agrees to perform all the machine operations on the asset owner's land in exchange for a set fee or rate and the asset owner pays for all seed, chemicals, and other inputs. In this arrangement, the asset owner keeps all of the crop and commodity payments. However, the Custom Farming Contract Tax Credit different from this traditional definition in that it was allowed for asset owners who hired a qualified beginning farmer for piecemeal farm work, provided the beginning farmer owned the machinery being used. An example of custom farming work that would have qualified for the tax credit is planting or harvesting. The asset owner would have been awarded a tax credit equal to 7.0 percent of the gross amount paid to the beginning farmer under the contract. If the beginning farmer was a veteran, the credit award was 8.0 percent for the first year. The qualifying contract was initially limited to 12 months. However, effective for the 2015 tax year, a custom farming contract could be for a period of up to 24 months. Claims were still awarded after the credit was eliminated until its funding cap expired in tax year 2023.

Another meaningful program change that occurred between 2013 and 2017, was increased tax credit award rates to 7.0 percent and 17.0 percent, respectively, depending on the type of lease agreement between an asset owner and qualified beginning farmer. Also, during this same five-year timeframe, if the beginning farmer was a veteran, asset owners could be awarded an additional 1.0 percent of eligible cash rent or crop share payments for the first year of the agreement[4]. Thus, for tax years 2013 through 2017, the credit was equal to 8.0 percent for the first year of a cash rent agreement with a veteran and 18.0 percent for the first year of a crop share agreement with a veteran. The additional credit for veteran

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[3] Des Moines Register, January 7, 2007. "*Fledgling farmer tax credit could become too popular*". Des Moines Sunday Register ST/GC.

[4] The enhanced first year 1.0 percent tax credit rate for veterans only applied to new projects to the tax credit program.

beginning farmers was not awarded in the first year of renewed agreements or new agreements with the same parties.

At the start of the 2018 tax year, the tax credit award rates for cash rent and crop share agreements reverted to 5.0 percent and 15.0 percent, respectively. Further, the veteran status of a qualified beginning farmer no longer resulted in an enhanced tax credit award. In addition, the tax credit program name was formally changed to the Beginning Farmer Tax Credit.

In 2022, after 15 years of the tax credit's existence, a limitation was put in place that restricted an asset owner who first participated in the tax credit program beginning on or after January 1, 2019 from participating in the tax credit program for more than 15 years. However, asset owners who first participated in the tax credit program prior to this date had no participation limitation set. Further, in 2022, the annual $50,000 tax credit claim cap for an asset owner who had entered into multiple agreements, with $50,000 tax credit award caps for each agreement, with different qualified beginning farmers in a given year was removed.

B. Eligibility

According to [Iowa Code Sections 16.77-82A](), the Beginning Farmer Tax Credit is allowed for eligible taxpayer agricultural asset owners that are engaged in a lease or rental agreement with a qualified beginning farmer. The taxpayer cannot be at fault for terminating a prior agreement under the Beginning Farmer Tax Credit program prior to January 1, 2015 or party to pending administrative or judicial action related to violations of state laws involving animal feeding operations. Further, the taxpayer cannot be a partner of a partnership, shareholder of a family farm corporation, or member of a family farm limited liability company that is the lessee of an agricultural asset that is part of an agricultural lease agreement. For a taxpayer asset owner who first participated in the tax credit beginning on or after January 1, 2019, they are limited to 15 years of participation in the tax credit program.

A beginning farmer means an individual, partnership, family farm corporation, or family farm limited liability company, with a low or moderate net worth that engages in farming or wishes to engage in farming (Iowa Code 16.58[6]). "Low or moderate net worth" is defined as a net worth that does not exceed the maximum allowable net worth established by the Iowa Finance Authority (IFA). IFA establishes the maximum allowable net worth for a beginning farmer in accordance with the prices paid by the farmers index compiled by the United States Department of Agriculture (USDA) (Iowa Code 16.58[10]). This maximum net worth is set annually. For calendar year (CY) 2025, the maximum net worth allowable to be considered a beginning farmer is $820,000.

If a beginning farmer meets all of the above requirements, they would be considered an applicant to be a *qualified* beginning farmer for the Beginning Farmer Tax Credit Program if they:

- Are at least 18 years old and a resident of the state of Iowa. In addition, if the beginning farmer is a partnership, family farm corporation or limited liability company all partners, shareholders or members also must be residents of Iowa.

- Can perform the duties required to operate the asset according to the lease with adequate working capital and production items. They cannot sub-lease to any other person or entity.
- Have sufficient education, training, or experience in farming.
- Do not have more than a 10.0 percent ownership interest in the leased asset. If the beginning farmer is a part owner of the leased asset, the tax credit would be reduced by the percentage of ownership the beginning farmer has in the entity.

C. Program Description

Assets eligible for the tax credit include agricultural land, depreciable machinery or equipment, buildings, bin storage, and breeding livestock. The rental of a rural residence, subleased assets, or land enrolled in the federal Conservation Reserve Program (CRP)[5] are not permitted and, if included in the submitted lease agreement, the value of the residence or land is excluded from the tax credit calculations. The lease obtained by the qualified beginning farmer must be for a term of two to five years and cannot be at a rate that is substantially higher than the market rate for similar agricultural assets leased or rented within the same community[6]. The lease can be renewed for at least two-year terms with no limitation on the amount of times it is renewed.

There are three different types of agricultural asset agreements with associated tax credit award rates an asset owner who leases land or other agricultural assets to a qualified beginning farmer may elect to engage in:

1. The asset owner can be awarded a tax credit equal to 5.0 percent of the amount paid to the asset owner by a beginning farmer under a fixed cash rent agreement. This is when the asset owner receives a fixed payment per acre leased regardless of crop price or yield. With this type of agreement, the asset owner is not usually involved in making any of the management decisions nor pays for any of the inputs.

2. The asset owner can be awarded a tax credit equal to 5.0 percent of for the fixed payment portion under hybrid and flex lease agreements[7], where the asset owner receives a fixed payment per acre leased plus an additional payment that varies depending on the productivity of the land. In this scenario, only the flex portion of the lease receives a tax credit equal to 15.0 percent of the flex bonus amount paid.

3. The asset owner can be awarded a tax credit equal to 15.0 percent of the amount paid to the asset owner under a crop share agreement, where crop and livestock production and sales are shared between the asset owner and the farm operator. In this form of agreement, other income items, such as government payments can also be shared. Presumably, since crop share agreements are seen as a means for the

[5] The USDA Farm Service Agency administered CRP pays a yearly rental payment in exchange for farmers removing environmentally sensitive land from agricultural production and planting species that will improve environmental quality.

[6] A substantially higher rate is defined by the Program as not more than 30.0 percent above the average cash rent for the county according to the previous year's Iowa State University cropland survey.

[7] Example: A beginning farmer leases 160 acres of crop ground with a $200 per acre cash rent based and a flex bonus if the corn planed by the beginning farmer exceeds 174.4 bushels per acre.

beginning farmer tenant and asset owner to share the financial risks associated with farming, the higher tax credit rate for crop share agreements represents legislative intent to provide an additional incentive for asset owners to engage in such lease agreements.

Program tax credit awards may not exceed $50,000 for an individual asset owning taxpayer per eligible lease in which the asset owner is participating under either of the two tax credits in a given year. Tax credits can be awarded to a partnership, limited liability company, S corporation, estate, or trust. The amount claimed by the individual asset owner is based upon the proportional share of their earnings from the asset.

Program tax credits are non-transferable except to the asset owner's estate or trust upon death. Program tax credits are nonrefundable, which means that, while they offset tax liability, any credit amount greater than tax liability in the tax year of claim is not paid to the claimant. Tax credits in excess of tax liability may be carried forward for up to ten years.

Leases or rental agreements for which tax credits have been awarded may be terminated by either the asset owner or the qualified beginning farmer. If the IFA determines that the taxpayer is not at fault for the termination, the IFA will not issue a tax credit certificate for subsequent years to the asset owning tax payer, but any prior tax credit certificates issued will be allowed. If IFA determines that the taxpayer is at fault for the termination, any prior tax credit certificates issued will be disallowed, and the tax credits can be recaptured by the Iowa Department of Revenue (IDR).

D. Application

Tax credit awards are based upon application to IFA. All tax credit awards have always been issued on a first-come, first-served basis. Applications are made jointly by both the asset owner and the qualified beginning farmer and must include a financial statement for the beginning farmer. IFA states that virtually all qualified applications are accepted with no need for waitlists and only an estimated 10 to 20 individuals rejected each year due to a failure to meet the eligibility requirements.

In 2025, application fees range between $300 and $650 depending on the acreage size of the lease agreement. The application must include a copy of the signed lease agreement and be submitted by August 1, or until all tax credit allocations for the tax year have been awarded, to be eligible for an award for that same year. If a change is made to the lease agreement that impacts the total amount paid to the eligible asset owning taxpayer, the asset owner must contact IFA within 30 days. In such a situation, IFA will recalculate the tax credit based upon any decrease. If the amendment increases the total price paid, the tax credit award will not be increased unless an amended application is submitted and approved. This approval will not be granted unless the terms of the change are more favorable to the beginning farmer than the asset owner. The only other permissible agreement modifications allowed are if the name of the asset owner or beginning farmer has changed or if the asset owner died and the asset has been transferred to an estate or trust.

Qualified beginning farmers are requested to disclose if they are related to an asset owner they are applying with for the tax credit on behalf of the asset owner. If so, they are asked to explain their relationship. If the asset owner is the parent or parent in-law, the qualified beginning farmer and asset owner are required to complete an additional "Parent/Child Acknowledgement" form.

E. Funding

An annual cap of $6.0 million was first imposed on the Program in 2009. Beginning January 1, 2013, concurrent with the introduction of the Custom Farming Contract Tax Credit (discussed above), the cap was increased to $12.0 million a year. Of this amount, $8.0 million was allocated to the Beginning Farmer Tax Credit and $4.0 million to the Custom Farming Contract Tax Credit. However, IFA was allowed discretion to adjust the allocation of the $12.0 million between the tax credits by adoption of a resolution. Beginning January 1, 2018, the annual cap was reduced to $6.0 million and the Custom Farming Contract Tax Credit was eliminated. However, in 2019, the annual cap was doubled to $12.0 million. The $7.9 million in agreements that existed as of the end of calendar year 2018, which included some remaining Custom Farming Contract Tax Credits, were not included as part of the new $12.0 million cap, which continues today without a sunset date.

F. Program Public Purpose, Equity, Simplicity, Public Purpose, and Adequacy Evaluation

In terms of public purpose, the BTFC Program is designed to encourage agricultural asset owners to lease land and equipment to beginning farmers with low or moderate net worth. The Program facilitates agricultural asset access, operational experience for beginning farmers, and the sharing of production risk. In terms of equity, beginning farmers participating in the Program may receive reduced lease costs. Asset owners with larger or multiple holdings may receive a larger share of benefits, particularly after the removal of caps on multiple agreements and the absence of limits for long-term participants established prior to 2019. Regarding adequacy, the tax credit provides support for small to medium sized leases, while its effect on high-cost farmland depends on whether asset owners pass income tax savings on to beginning farmers. In terms of simplicity, eligibility requirements, multiple lease types with varying credit rates, and rules for carryforward or lease amendments can result in additional administrative requirements for taxpayers and IFA.

II. Federal and State Incentives for Beginning Farming

A. Federal Incentives for Beginning Farming

As of tax year 2025, at the federal level, while there are several tax credits, deductions, and refunds that directly or indirectly benefit farmers or farming operations[8], there is no tax credit for the transfer of land or other assets to beginning farmers, for the rental of land to beginning farmers, or for contracting with beginning farmers for custom work.

[8] Tax Year 2025 federal tax credits relevant to U.S. farmers, ranchers and other agriculture businesses: Biofuel Producer Credit (IRS form 6478), Increasing Research Activities Credit (IRS form 6765), Fuel Excise Tax Credit or Refund (IRS form 8849 or IRS form 4136), Renewable Electricity Production Credit (IRS form 8835), Vehicles, Equipment and Other Big Capital Expenses deductions (IRS form 4562, Section 179), and the Prepaid Fertilizer, Lime, Seed, Feed and Other Farm Supplies deduction (IRS form 1040, Schedule F).

However, various targeted initiatives in the 2018 Agriculture Improvement Act (Farm Bill) and U.S. Department of Agriculture (USDA) programs support beginning farmers by addressing key barriers to land access, capital, credit, training, and conservation. For instance, the USDA's Farm Service Agency (FSA) offers a range of direct and guaranteed loan programs with a targeted portion of its loan funding reserved for beginning and socially disadvantaged farmers. Guaranteed Farm Loans are issued by commercial lenders, but backed by the FSA for up to 95.0 percent of the loan amount to reduce lender risk while expanding borrower eligibility. Additional options include Farm Operating Loans, which finance equipment, inputs, and infrastructure improvements and the Direct Farm Ownership Down Payment Loan Program, which allows qualified beginning farmers to purchase farmland with a 5.0 percent down payment and the FSA financing up to 45.0 percent of the purchase price to a cap of $300,150 (USDA, 2025a).

Beyond credit access, the USDA administers competitive grant programs to support training, education, and outreach for beginning farmers, particularly those from historically underserved communities and military veteran backgrounds. These programs include the Beginning Farmer and Rancher Development Program (BFRDP), which supports projects that provide education, mentoring, and technical assistance to give beginning farmers and ranchers the knowledge, skills, and tools needed to make informed decisions for their operations and enhance their sustainability (USDA, 2025b). In federal fiscal year 2024, one such program based out of Iowa City was funded (USDA, 2024a). The Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers Program, also known as the Section 2501 Program, awards grants to community-based and non-profit organizations, higher education institutions and eligible tribal entities with at least three years of experience in working with socially disadvantaged farmers and ranchers or veteran farmers and ranchers. These grants fund conferences, workshops, and demonstrations on various farming techniques and other efforts to connect underserved farmers and ranchers to USDA local officials and increase awareness of USDA's programs and services (USDA, 2025c).[9] The Value-Added Producer Grant (VAPG) program reserves priority to beginning farmers, and helps agricultural producers enter value-added activities to generate new products, create and expand marketing opportunities, and increase producer income (USDA, 2025d).[10] Notably, the USDA launched a new $2.0 billion Marketing Assistance for Specialty Crops (MASC) program in 2025, aimed at supporting specialty crop producers, including beginning farmers, with payments of up to $125,000 to offset input and marketing costs (Michigan's Thumb, 2025).

B. State of Iowa Incentives for Beginning Farming

Aside from the Beginning Farmer Tax Credit (BTFC), the State of Iowa also administers land, capital, and infrastructure programs designed to reduce barriers for beginning farmers. For example, with similar beginning farmer eligibility requirements to the BTFC, the Beginning Farmer Loan Program, managed by the Iowa Finance Authority (IFA), offers

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[9] Note: No Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers Program grants were awarded in Iowa for federal fiscal year 2024 (USDA, 2024b).

[10] Note: Iowa, Wisconsin, Missouri, Nebraska, and Minnesota received a combined 28.0 percent of all VAPG grants from 2001 to 2015. A study on the impact of VAPG using data from Iowa and North Carolina found that VAPG recipients had a better chance of survival, compared to the comparison group (Rupasingha, Pender, & Wiggins, 2018).

reduced-interest financing for emerging farm operators to allow the purchase of land, machinery, livestock, and farm improvements. Loans through private lenders or contract sellers are subsidized by federal tax-exempt bonds or tax exemptions on interest income. Typically, interest rates are 20.0 to 25.0 percent below the usual market rate to enable affordable access to capital (IADD, 2025a).

Also administered by IFA and with similar beginning farmer eligibility requirements to the BTFC, the Loan Participation Program is designed to assist beginning farmers with down payments. Under this program, IFA assists farmers in making down payments for the purchase of agricultural land, depreciable machinery or equipment, breeding livestock or buildings. The assistance can be used to supplement eligible beginning farmers' down payment so that they can more readily secure a loan from a participating lender. The maximum loan for an individual beginning farmer is 30.0 percent of the purchase price or a cap of $200,000. Loans can be amortized for 20 years for land purchases or 12 years for facilities with a balloon at ten years (IADD, 2025b).

Finally, the Iowa Department of Natural Resources (DNR), administers the Beginning Farming & Habitat Leases Program to enable beginning farmers to lease agricultural land held and managed by DNR as a wildlife habitat. The Program aligns conservation goals with farming needs by allowing participants to farm designated public lands under a Soil and Water Conservation Plan that is developed in partnership with the USDA Natural Resources Conservation Service (NRCA). Applications must be made to IFA, on DNR's behalf, each year and a requirement to participate is for IFA to have agreed with the farmers status as a beginning farmer per the same terms as the BFTC and other beginning farmer programs it administers (IDNR, 2025).

C. State by State Comparison of Beginning Farming Tax Credit Programs

Between 2015 and 2025, six states including Colorado, Minnesota, Nebraska, Ohio, Pennsylvania, and Wisconsin have provided tax credits or deductions to eligible farm asset owners who lease land or other agricultural assets to qualified beginning farmers, similar to the Iowa Beginning Farmer Tax Credit (BTFC). During this time, both the Colorado Agricultural Lease Deduction Program[11] and the Wisconsin Beginning Farmer and Farm Asset Owner Tax Credit Program[12] have ended, with policymakers choosing not to extend them in their original form. Nebraska's Beginning Farmer Tax Credit program is the longest-standing active program, having begun in the 1999 tax year. Until 2007, the initial year of Iowa's BTFC, Nebraska's was the only tax credit of its kind in the country. The Pennsylvania Beginning Farmer Tax Credit began in 2020 and the Ohio program began accepting applications in the summer of 2022 (see Table 1: Comparable 2025 Beginning Farmer Tax Credit Programs by State).

- *Eligibility:* Each state defines beginning farmers primarily in various terms, such as residency, financial net worth, length of farming experience, and the beginning farmer's plans to engage directly in farming. For example, all states require the

[11] Note: The Colorado Agricultural Lease Deduction Program sunset in 2020.

[12] Note: The Wisconsin Beginning Farmer and Farm Asset Owner Tax Credit Program sunset in 2015.

beginning farmer to participate in farmer operations earnings and have farming experience. Despite these similarities, eligibility criteria for beginning farmers differ among the states in important ways. For example, the Nebraska BFTC, in addition requiring the beginning farmer to participate in a financial management course, has a limit on the amount of years a beginning farmer has farmed, but it is not a lifetime limit. It only applies to less than ten years of the last 15 years. Further, a beginning farmer who is a family member of the asset owner is allowed to participate in the tax credit if both have attended a training session on succession planning and the lease agreement application for a tax credit includes a written succession plan (Nebraska Department of Agriculture, 2025). The Ohio BTFC program varies the most from others in that it allows a beginning farmer to be a resident of the State or intends to live there. Further, with a net worth cap similar to the Iowa BTFC program, it requires the beginning farmer to have been farming for less than ten years, be certified by the State as a beginning farmer, and have completed a financial management course. Finally, the beginning farmer is not allowed to be a member of an asset owners family, involved in any business partnership with the asset owner, and have any vested interest in the assets being leased or sold (Ohio General Assembly, 2022). Similarly, the Pennsylvania program requires a beginning farmer to have ten years or less of farming income and prohibits family members of asset owners to qualify as beginning farmers, but it does not have a net worth earnings cap (Pennsylvania Department of Community & Economic Development, 2025).

- *Credit Amount and Asset Owners:* All five states award the tax credit to an asset owner, not the beginning farmer, and do not require the asset owner to be a resident of the respective state. Further, for each tax program, the tax credits or deductions offered equal a percentage of the agreement between the asset owner and beginning farmer. In the case of the Ohio, Minnesota, and Pennsylvania BTFCs, a credit is also available for the sale of agricultural land and other assets to a beginning farmer. The Ohio tax credit amount for the sale of land to a beginning farmer is 3.99 percent and the Minnesota[13] and Pennsylvania[14] tax credit amount is 5.0 percent. In addition to asset owners, the Ohio, Nebraska, and Minnesota BFTC programs also allow tax credit for either the full amount of a financial management program or a set limit for the beginning farmer (Ohio General Assembly, 2022; Pennsylvania Department of Community & Economic Development, 2025; and, Minnesota Department of Agriculture, 2025).

- *Transfers, Refunds, and Carryforwards:* All states with a current beginning farmer tax credit program do not allow for the tax credit to be transferred. Only three states, Iowa, Minnesota, and Ohio, allow for a tax credit carryforward, which can range between seven and 15 years depending on the state. Conversely, no state, except for Ohio, which does not have a carryforward period, allows for the tax credit to be refundable.

- *Tax Credit Reviews*: Colorado and Nebraska have conducted similar beginning

[13] Note: The Minnesota BTFC sale to a beginning farmer tax credit has a limit up to $50,000 in a tax year.

[14] Note: The Pennsylvania BTFC sale to a beginning farmer tax credit has a limit up to $32,000 in a tax year.

farmer tax expenditure studies to this report. In 2017, the Colorado State Auditor defined the intent of the Colorado Agricultural Lease Deduction Program to be a provided incentive for aging agricultural producers to lease their land and equipment to beginning farmers or ranchers to help them become established in the agricultural industry. The State Auditor's study concluded that the deduction did not meet this purpose because of no program participation in its first enacted years. It speculated the deduction was too modest to encourage behavior change that would benefit beginning farmers. Therefore, the study recommended the legislature review the administrative requirements for qualifying for the deduction and the amount of benefit to encourage asset owners to participate for the deduction's use (Colorado Office of the State Auditor, 2018).

In 2025, the Nebraska Legislative Post Audit Office defined the purpose of the Nebraska BTFC as a program to ensure smaller farming entities remained a robust part of the state's economy by encouraging established farmers to lease land or other assets to beginning farmers. The Legislative Post Audit report stated that, since the beginning of the tax credit program, almost $19.7 million in credits have been issued to asset owners. Although credits allocated per year have never reached the $2 million cap, the program has consistently awarded over $1.0 million in recent years. Further, 2018 to 2023, just over $8.8 million in program credits were allocated for 292 cases, resulting in an average tax credit of $25,631 per case. In addition, cases where an asset owner was related to a beginning farmer accounted for a greater portion of total cases each year since 2019 despite a general decrease in total cases per year. The report ultimately found that program practices may not be sufficient for ensuring beginning farmer and asset owners are aware of program responsibilities. Further, the administering agency needed to contact and review all current agreements to ensure full knowledge and required practices are taking place (Nebraska Legislative Post Audit Office, 2025).

Since the previous evaluation of tax credit programs, several additional states beyond those discussed above have attempted to introduce various forms of tax credit legislation aimed at supporting beginning farmers. In 2024, Wisconsin made an unsuccessful attempt to reinstate the Wisconsin BTFC (Wisconsin State Legislature, 2023). Similarly, in 2023, Arkansas sought to establish a beginning farmer tax credit program modeled after the Nebraska BTFC, with the key difference being a program cap of $10.0 million per year (Arkansas Department of Finance and Administration, 2022). More recently, Indiana proposed but ultimately failed to pass an income tax credit of up to $67,000 per year for asset owners who sell or lease farmland or agricultural equipment to beginning farmers (Smith, 2025). Currently, in the Illinois 104th General Assembly, there is an active bill that would provide an income tax credit to the owner of an agricultural asset who sells or rents the asset to a beginning farmer. The tax credit would offer the same amounts and terms as the Iowa Beginning Farmer Tax Credit (BTFC) for lease and crop share agreements. For the sale of agricultural land, asset owners would be eligible for a tax deduction of up to $50,000 on capital gains. To qualify, beginning farmers must have had limited agricultural income for fewer than ten years, intend to actively farm in Illinois, and obtain certification from the Illinois Department of Agriculture (Illinois General Assembly, 2025).

A recent trend in successfully enacted beginning farming tax credit legislation is the shift by states from encouraging lease agreements with beginning farmers to promoting the sale of agricultural assets from active or retiring farmers to beginning farmers. For example, in 2020, Kentucky implemented the Kentucky Selling Farmer Tax Credit (KSFTC) program. This program offers a 5.0 percent tax credit, subject to both annual and lifetime caps, for farmers who sell agricultural land and assets to a beginning farmer who has previously been actively engaged in farming but has not owned agricultural land within the past 20 years. Non-beginning farmers who are actively engaged in farming are eligible as buyers but are not given priority. The tax credit is non-refundable, but any unused credits may be carried forward for up to five years. The KSFTC has an annual funding cap of $3.0 million and is set to sunset in 2031 (Kentucky Cabinet for Economic Development).

This approach has precedent. Since 1984, Montana has allowed individuals and partnerships to claim a 100.0 percent income tax deduction for the taxable portion of capital gains resulting from the sale of 80 acres or more of Montana agricultural land to a beginning farmer. In this context, beginning farmers are defined as individuals who have farmed for no more than ten years and who do not currently own a farm or ranch exceeding 30.0 percent of the county's average farm size. Additionally, sellers must offer the land to a beginning farmer through a contract sale with an interest rate of 9.0 percent or less (Montana Admin. R. § 42.15.223, 2025). Other states, including Oregon and Iowa, offer tax credits for capital gains related to the sale of agricultural land between active or retiring farmers and other farmers. However, these programs are not restricted to sales involving only beginning farmers (Oregon Administrative Rules, 2025 and Iowa Department of Revenue, 2023).

D. Program Competitiveness Evaluation

Compared to other states, Iowa BTFC has specific features and limitations. Iowa's BTFC eligibility rules, based solely on net worth, allow beginning farmers of all ages and experience levels to participate and are more flexible than programs in Ohio or Pennsylvania that exclude family members, which may affect participation rates. Iowa's BTFC Program does not provide tax credit incentives for the sale of land or other assets, unlike some other state programs or proposed programs. The Program also does not include financial management or succession planning incentives and has a shorter carryforward period than some states, which may influence its use for high-value leases. Iowa supports lease-based entry for beginning farmers, though some other programs or proposals include additional incentives related to asset sales and broader support services.

III. Literature Review

A. Defining Farms

Since the 1970s, USDA has defined a farm as any place that, in a given year, produced and sold at least $1,000 worth of agricultural products. This definition also includes operations enrolled in the Conservation Reserve Program, as well as places that would have produced and sold at least $1,000 worth of agricultural products if the crops or livestock present could normally have generated that amount. Established in 1974, this definition has never been adjusted for inflation or for changes within the agricultural industry, such as rising commodity prices. As a result, many operations that would not have qualified as farms 45 years ago now fall within the USDA's definition (Lim et al., 2024). As Sumner (2014) notes, "The tiny threshold of $1,000 in sales represents an agricultural output of less than two acres of corn, less than one-half of a milk cow, and less than half of one litter from one mother sow".

Farms are classified as either "family farms," in which a principal operator, typically assisted by related individuals, owns and makes decisions for the majority of the business, or "non-family farms," which are operated by unrelated partners, closely held non-family corporations, or publicly held corporations where no operator holds a majority ownership stake of 50.0 percent or more. As of 2023, family farms constitute 96.0 percent of all farms in the U.S. and account for 83.0 percent of total annual agricultural production. The USDA defines "small family farms" as those with gross cash farm income (GCFI) [15] of less than $350,000. Within this category, small family farms account for 86.0 percent of all family farms. Despite their prevalence, small family farms operate only 41.0 percent of the nation's agricultural land and contribute 17.0 percent of total annual agricultural production. Further, "retirement farms" account for 11.1 percent of small family farms. These are farms where the principal operators have retired from farming but continue to engage in agricultural activity on a limited basis. Off-farm occupation farms represent 39.3 percent of small family farms and are characterized by principal operators whose primary occupation is outside of farming. Farming-occupation farms, in which the principal operators report farming as their main occupation, comprise 35.7 percent of small family farms. Mid-size family farms, with a GCFI between $350,000 and $999,000, represent both 18.0 percent of agricultural land and total annual agricultural production. Large-scale family farms, with a GCFI of $1.0 million or more, account for 31.0 percent of agricultural land and 48.0 percent of agricultural land (Lim et al., 2024).

B. Farming in Iowa

Agriculture has been central to Iowa's economy, environmental landscape, and cultural identity since European settlers arrived in the early 19th century. With the opening of Iowa during the 1830s and 1840s, settlers moved into what had been prairie, wetland, and forested regions. Early Iowa farming was primarily subsistence-based, but began to integrate cash crops such as corn, wheat, and oats as settlers gained access to markets (Thorne, 1951). By the late 1800s, Iowa had begun developing the institutional infrastructure needed to support scientific farming. The federal Morrill Act of 1862 and the federal Hatch Act of 1887 led to the establishment of Iowa Agricultural College, now Iowa State University, which became a center of agricultural research and extension services (Iowa State University College of Agriculture and Life Sciences, 2025).

The early 20th century saw changes in farm structure and ownership, with technological innovations, such as mechanical reapers, barbed wire fencing, improved plows, and later mechanized harvesters, transformed farm operations, enabling farmers to manage more land with fewer laborers (Iowa State University College of Agriculture and Life Sciences, 2025). Between 1910 and 1930, Iowa experienced a steady increase in farm tenancy, as rising land prices made ownership unattainable for many younger or small-scale farmers (University of Northern Iowa, 2025). With the adoption of tractors and combines,

[15] Gross cash farm income (GCFI) is a measure of the farm's revenue, which includes the sale of crops and livestock, government payments, fees from production contracts, and other farm-related income.

mechanization of farm practices reduced labor needs and increased farm productivity. World War I brought a temporary economic boom, as demand for agricultural products surged. However, the postwar collapse in prices during the 1920s and the Great Depression of the 1930s led to widespread foreclosures and hardship for Iowa farmers (Austin, 1970). The 1950s realized renewed modernization efforts, including electrification, improved fertilizer use, and the expansion of State-based Agricultural Extension programming to address new challenges like surplus production and low commodity prices (Honeyman, 2019).

Since the 1970s, Iowa agriculture has undergone significant structural changes marked by increasing specialization in corn and soybean production, consolidation of farmland, and adoption of labor-saving technologies. These trends have resulted in a decline in the number of independent farms with a corresponding rise in average farm size. Today, in the 2020s, the Iowa agricultural system is heavily shaped by federal subsidies, global commodity markets, and technological innovation (Bell et al., 2024; McHenry et al., 2025). Further, agriculture in Iowa's present day is estimated to account for more than 22.0 percent of Iowa's total economic output and supports over 385,000 jobs through both direct farming and related trades, such as processing, slaughter, feed, machinery, and transport industries (National Young Farmers Coalition, 2022). However, rising production costs (feed, fertilizer, inputs, etc.) and downward pressure on certain commodity prices have found that the resulting depressed farm incomes can ripple through the broader Iowa economy. For example, layoffs and reduced purchases of machinery in agriculture related sectors (Wheeler, 2024).

C. Why Beginning Farmers

According to the USDA Census of Agriculture, the average age of U.S. farmers has steadily increased, reaching 58.1 years in 2022 (USDA, 2022). This aging trend is more pronounced compared to the general U.S. workforce, where the median age is 41.7 years (U.S. Bureau of Labor Statistics, 2025). Despite nearing traditional retirement age, many farmers exhibit reluctance to retire. A survey in the North Central Region revealed that only 37.0 percent of farmers felt mentally prepared for retirement, indicating a widespread hesitancy to step away from farming (Waitt, 2024).

Two major factors contribute to a farmers' delayed retirement: financial necessity and a lack of succession planning. Many farmers rely on farm income for retirement, yet often lack sufficient savings. In 2021, approximately 45.0 percent of principal operator farmers aged 65 years and older held assets in retirement accounts, which is a higher proportion than the general U.S. population, but lower than 59.0 percent of older nonfarm self-employed U.S. households. While, on average, older farm households have higher levels of total assets than the average U.S. household, these assets are often more difficult to access during retirement. Thus, much of an older farm household's wealth is concentrated in farm operations with tax implications for principal operators that can affect whether a farm household decides to draw on farm assets during retirement (Lim and Spalding, 2024). Further, with many older farmers lacking clear succession plans and uncertainty about the future of family farms, many older farmers elect to continue working indefinitely, further delaying retirement (Waitt, 2024).

As older farmers remain active, they continue to occupy roles that could otherwise be filled by beginning farmers, raising concerns about generational renewal, which is essential for the long-term sustainability of the agricultural sector. This issue is particularly pressing given that farming already presents higher barriers to entry compared to many other industries (see discussion below) (Inwood & Clark, 2020). Without adequate support for new entrants, farmland may be lost to development or consolidated into large-scale operations, which further marginalizes small and mid-sized farms, creates a loss of lands and resources previously dedicated to agriculture to other purposes, and impacts local agricultural adjacent economies (Lobley et al., 2010).

D. Defining Beginning Farmers

Beyond classifications based on farm types and sizes, principal operators are categorized as either established farmers or beginning farmers. Since 1990, federal statutes governing all programs administered by the USDA define a beginning farmer in terms of farm experience, specifically as a principal operator with ten years or less of farming experience. An exception to this definition is found in the USDA's Federal Crop Insurance Program, which defines a beginning farmer as one who has not principally operated a farm for more than five years (Congressional Research Service, 2023). Further, as of 2018, the USDA also categorizes any principal farm operator that is socially disadvantaged to be a beginning farmer. This includes women and members of certain racial and ethnic minority groups, such as Hispanics, American Indians or Alaskan Natives, African-Americans, Asians and Native Hawaiians or other Pacific Islanders (Bruce et al, 2022). Of note, although beginning farmers of Hispanic, Latino, and Spanish origin represent only 3.0 percent of all beginning farmers, they are the fastest-growing group. Between 2017 and 2022, this population experienced a 15.0 percent increase in land ownership (Minkoff-Zern, 2025).

According to the USDA's most recent 2022 Census of Agriculture, 1,011,715 producers in the United States identify as beginning farmers, representing 33.0 percent of all U.S. producers. This figure marks an 11.0 percent increase from the 908,274 beginning farmers reported in the 2017 Census. Beginning farmers account for 23.0 percent of total agricultural sales in the United States. Of these operations, 58.0 percent reported annual gross sales and government payments totaling less than $10,000, compared to 52.0 percent across all farming and ranching operations nationally. The 2022 Census also indicates that beginning farmer operations are generally smaller in scale than U.S. farming operations overall, with an average size of 312 acres compared to 463 acres. Furthermore, a majority of beginning farmers, or 51.0 percent, operate on fewer than 50 acres (Congressional Research Service, 2023).

Beginning farmers can be young, middle-aged, or older individuals. Recent studies have increasingly recognized the social aspects of farming and have identified three types of beginning farmers entering the agricultural sector. First, "greenhorn" beginning farmers are first-generation farmers with no family connection to agriculture. Second, "returning" beginning farmers have some farming background but previously pursued non-farming careers before returning to farming. Lastly, "legacy" beginning farmers come from multigenerational farming families (Illes, et al., 2020).

Land leasing is a common practice among beginning farmers, who often increase their land ownership over time while continuing to lease additional acreage. As these farmers become more established, their reliance on leased land generally decreases (Katchova and Ahearn, 2015). However, because only a small portion of farmland is typically transferred through market transactions each year, leasing remains a critical source of land for beginning farmers. Among farmers under the age of 34, 27.0 percent of the total farmland they operate is classified as full-tenant operations. Only 8.0 percent is fully owned, while the remaining 65.0 percent is held under part-owner arrangements. In contrast, among farmers aged 65 or older, 7.0 percent of the farmland they operate is in full-tenant operations. A significantly larger share, 43.0 percent, is fully owned, and the remaining 50.0 percent is operated through part-owner arrangements (Callahan and Hellerstein, 2022).

Compared to earlier generations, beginning farmers increasingly rely on off-farm employment. This income serves multiple purposes: as a primary or supplemental source of earnings, a risk management strategy, a means to save for capital investments, and a way to obtain fringe benefits (Mishra et al., 2016). On average, 77.0 percent of beginning farmers' total income, approximately $115,925, comes from off-farm sources, in contrast to 56.0 percent, or $85,605, for established farms. However, the degree of reliance on off-farm income varies among different types of beginning farmers. Greenhorn and returning farmers tend to depend more heavily on off-farm earnings, while legacy beginning farmers are generally less reliant. This may be due to their greater access to capital or pre-existing assets, which enables them to finance operations more independently and qualify for credit more easily (Thilman et al, 2022).

E. Beginning Farmer Defining Barriers to Entry, Challenges, Success, and Reasons for Exit

a. *Barriers to Entry and Challenges:*

i. <u>Access to Land:</u> At a minimum, to enter farming, beginning farmers need to build and sustain production assets, such as land, water, equipment, inputs, labor, and knowledge. A 2022 survey conducted by the National Young Farmers Coalition, involving approximately 10,000 respondents, identified access to farmland as the primary challenge for a majority of young farmers, with 59.0 percent citing it as their top concern (National Young Farmers Coalition, 2022). A concurrent study by the USDA Economic Research Service (USDA ERS) identified two primary factors limiting access to farmland for purchase or rent: the tendency of aging farmers to retain ownership longer and the continued consolidation of farmland into larger, capital-intensive operations. It further noted that, these trends have reduced the affordability and availability of high-value farmland for beginning and socially disadvantaged farmers, both in terms of purchase prices and rental rates. In addition, the rising average age of U.S. farm operators raises concerns about the pace and structure of farmland transfer to the next generation of farmers (Callahan & Hellerstein, 2022).

Callahan and Hellerstein (2022) also found that increasing land concentration among large-scale operations, along with the influence of land conservation programs, may further constrain access to farmland for beginning farmers. As a result, beginning farmers are more likely to lease rather than own land and are less likely to participate in federally subsidized crop insurance programs compared to more established operators. Finally, they note that, despite these challenges, the anticipated transfer of farmland from retiring farmers represents a potential opportunity for beginning farmers to acquire land, but this is contingent on the removal of key structural and financial barriers (Callahan & Hellerstein, 2022).

As most beginning farmers do not inherit the land they operate, for entry into farming they purchase or lease land to start and grow operations over time. Farms operated by younger beginning farms are more likely to use leasing land as an entry strategy and average smaller farm operations than older entrants or established farmers. (Katchova & Ahearn, 2015). Given the “boom or bust” nature of agricultural production paired with expensive equipment start-up costs, beginning farmers cannot undertake many high-capital land risks while maintaining lease rates or debt owed for land that cannot be paid primarily through agriculture production. Without personal or institutional subsidies, beginning farmers seeking affordable land must compete against their peers and established farmers, who are more likely to have access to credit or cash bids for increasingly high value farmland. In addition to a beginning farmer being outbid for land by an established farmer with more capital, the increasing value of farmland has made it a desirable investment acquisition for international and domestic shareholders who may desire to control and increase agricultural production through the work of tenant labor or leverage land as an asset in large portfolios. Non-farmers interested in converting land for non-agricultural profit, such as residential building or commercial infrastructure, also complicate and create land competition. Between 1992 and 2012, it is estimated 31.0 million acres of farmland was lost to other non-agricultural purposes. Beginning farmers operating farm-to-table or direct-to-consumer operations that benefit being near urban areas struggle significantly when seeking affordable land while they are in direct competition with non-farming land developers (Carlisle, 2019).

ii. <u>Access to Credit:</u> Beginning farmers are more likely than established farmers to face limitations in accessing credit due to lower net worth and a shorter business history to demonstrate their ability to repay loans. Surveys of beginning farmers consistently show that access to adequate capital is one of the most significant challenges beginning farmers encounter when starting and expanding their operations. Using farm-level panel data from the USDA Census of Agriculture, Key (2022a) estimated the impact of credit constraints on beginning farmers and found that beginning farms facing credit restrictions experience lower survival and growth rates compared to similar farms without these constraints. Moreover, beginning farmers with reliable and affordable access to credit are better able to manage fluctuations in farm or off-farm income. Access to credit also enables them to adopt more efficient production technologies and benefit from economies of scale. Key (2022a) further found that the negative effects of borrowing constraints on growth were more pronounced among beginning farms operated by individuals younger than 40 years old. He concluded that credit limitations may have a greater impact on these younger farmers' ability to invest and expand production, as they generally have less wealth and are therefore less able to finance farm expansion independently when access to credit is restricted (Key, 2022a).

iii. Labor Costs: As the demand for paid labor grows for all farming operations to implement economies of scale, the farm worker labor supply has experienced shortages since 2016. These shortages are attributable to increased immigration enforcement, less migration from Mexico, and the improvement of the Mexican economy. Often lacking capital to maintain competitive farm worker labor, beginning farmers cannot attract farm workers for operations assistance with traditional methods, such as increasing wages or introducing mechanical efficiencies (Carlisle, 2019).

iv. Market Access and Policy Risks: As beginning farmers are typically less diversified and more financially constrained, they are particularly vulnerable to export disruptions and declines in commodity prices (Benson et al., 2024). According to Hillberry (2024), fluctuations in trade policy can significantly alter export volumes, contributing to price volatility. Trade policy influences not only market access but also the cost of key inputs. For example, fertilizer and machinery imports are highly sensitive to international tariffs and trade relationships. When these input costs rise, beginning farmers often lack the purchasing power or credit access that would allow them to absorb the financial pressure, resulting in reduced profit margins and increased risk to business viability. Beginning farmers are generally less able to manage such volatility due to their smaller operational scale and limited access to federal safety net programs and traditional commodity safety net programs. Many beginning farmers do not hold base acres, which are required to participate in programs such as Agriculture Risk Coverage and Price Loss Coverage (Clayton, 2024). Consequently, even when commodity prices decline due to trade disruptions, beginning farmers often receive less protection than more established producers.

v. Health Insurance: Similar to entrepreneurs in other industries without access to employer-sponsored plans, beginning farmers under the age of 65 face significant challenges in affording and maintaining health insurance coverage. Both beginning and established farmers are more likely than the general population to purchase private insurance plans, which generally involve higher premiums and increased out-of-pocket costs. Rising healthcare expenses are consistently identified by farmers as a threat to their financial stability and a major source of stress. Many report difficulties related to underinsurance and increased vulnerability to medical debt. Additionally, farmers are less likely than other rural residents to have a regular primary care provider or to complete recommended preventive health screenings (Becot and Inwood, 2022). Beginning farmers can receive health coverage through off-farm employment, their spouse's off-farm employment, or they can purchase it through individual markets. However, only those beginning farmers who average $250,000 GCIF a year or more tend to be able to afford the latter option. While many states, including Iowa, have expanded Medicaid coverage due to the Patient Protection and Affordable Care Act, qualifying for this coverage would only be possible if the beginning farmer was physically disabled or low-income (Mirshra et al., 2018).

vi. <u>Student Loans:</u> Student loan debt has negatively affected Millennial homeownership, with many individuals expressing a desire to purchase a home but needing to postpone the decision compared to peers without such financial obligations. A comparable impact is evident among beginning farmers, particularly regarding land ownership and financial operational stability. Using panel data from the 2007 to 2009 Survey of Consumer Finances, a fixed effects model was employed to estimate the relationship between outstanding student loan balances and farmland acreage owned. The analysis controlled for variables including farm income, total debt, and land prices. Findings indicate that for each additional dollar of student loan debt, farmland ownership decreases by approximately 0.0064 acres. These results suggest that student loan debt is a significant barrier to both entry into agriculture and the continued expansion of land ownership and production among young and beginning farmers (Diosdado et al, 2024).

b. *Success:* Possible measures of beginning farm business success include financial performance, business longevity, and farm size growth. However, the goal structure that a principal farm operator uses to define success is essential to understanding how beginning farmers conceptualize success. For example, many beginning farmer trainings and support programs emphasize the development of financial management skills. While this focus is critical for numerous young beginning farmers, it reflects a broader generational trend in which maintaining land within the family and working independently are valued as highly as achieving profitability (Katchova & Ahearn, 2015). Furthermore, while older, established farmers may gradually divest from farm operations in anticipation of retirement, a reduction in farm size among younger farmers may indicate an inability to meet loan obligations, resulting in the liquidation of productive assets to remain operational. Conversely, an expansion in farm operations may suggest that a younger beginning farmer is currently profitable or is expected to become profitable. As such, growth is often included in their personal definition of success. (Key, 2022b).

   However, this emphasis on younger beginning farmers may obscure the differing goals of older beginning farmers. Older entrants into farming, who often possess greater capital and initial investment, are more likely to sustain operations at the same scale as when they began, rather than pursuing expansion (Katchova &

Ahearn, 2015). Participation in direct-to-consumer markets is another factor negatively associated with growth in beginning farm operations. Though, this does not necessarily indicate lower business success. For small-scale beginning farms, such participation is associated with an 8.0 percentage point increase in survival rates, suggesting that direct sales provide a relatively stable income stream that supports continued operation. Income in these markets relies on the margin between wholesale and retail prices, which tends to remain stable even when output prices fluctuate. As a result, direct sales reduce exposure to price volatility and lower overall financial risk. Beginning farmers engaged in direct-to-consumer sales are more likely to remain in operation, although they are 1.5 percent less likely to experience positive asset growth. This may reflect the limited scale of these markets and constraints related to local demand. Expansion often requires increased travel and marketing efforts, leading to higher operational costs. Despite the modest negative effect on asset growth, the significantly higher survival rate results in a net positive association with business success. Beginning farms that sell directly to consumers are approximately 5.0 percent more likely to succeed than similarly sized operations that do not (Key, 2022b).

Family farms tend to have higher survival rates over time but are less likely to achieve significant growth. In contrast, partnerships, which are the most common type of non-family farm organization, may experience lower survival rates due to their vulnerability to dissolution if a single partner withdraws. The greater stability and slower growth observed among family farms may reflect how beginning farmers perceive their work. Research suggests that the non-financial benefits of self-employment contribute to the decision of small business owners, including farmers, to remain in business despite limited growth opportunities. (Key, 2022b). Additionally, survey responses from many beginning farmers indicate a strong emphasis on personal satisfaction with the farming lifestyle and a desire to maintain a healthy balance between work and personal relationships. This balance is often regarded as both a goal and a measure of success (Rissing, 2019).

c. *Reasons for Exit:* As previously noted, the primary barrier to entering the farming profession beginning farmers is the difficulty of acquiring affordable land, whether through purchase or lease, using farm operation income. This challenge is also frequently cited as the leading reason aspiring beginning farmers ultimately abandon their plans to pursue farming as a career (Mishra and El-Osta, 2016). Before the 1980s, new farmers often benefited from an agricultural tradition in the U.S., in which outgoing farmers arranged for successors to continue their operations. This transition typically occurred within multi-generational, legacy farm families and followed a life-cycle model. In this model, an established farmer would retire and pass the farm to the next generation beginning farmer. In the present day, established farmers are delaying retirement longer than previous generations. Studies show that farmers over the age of 65 often prefer to remain involved in farm operations to some extent. Many cite the desire to live in a rural area and continue outdoor work as important motivations for staying active in agriculture (Mishra and El-Osta, 2016). Some choose to continue overseeing the farm while hiring laborers to handle physically demanding tasks. Others may reduce or stop production entirely but still qualify as a farm under the USDA's definition, which includes any operation generating at least $1,000 in annual revenue (Valliant and Ruhf, 2019). When a beginning farmer family member is available to take over the farm, the established farmer may elect to work alongside the new principal operator. However, in cases where no familial successor exists, retirement is more likely to be postponed. Even when successors are available, beginning farmers often delay taking over due to the need to prioritize more stable income and benefits through off-farm employment, which may offer greater short-term economic security (Mishra and El-Osta, 2016). As one respondent in the 2017 National Young Farmer Survey described the impact of this dynamic: "Family dynamics of parents not willing to pass on the ranch yet, my wife and I had too many student loans and our kids to take care of to earn no money staying there for the next ten years waiting for it to happen, so we moved to the city where we live and work currently and hope to find our own place [for] if or when we can afford a piece of land to start over on" (Shute, 2017).

IV. Descriptive Overview of Beginning Farming in Iowa

According to estimates based on the 2022 annual Agricultural Resource Management Survey (ARMS), there are 86,911 farms in Iowa operated by 153,680 producing operators, which can be full, part-time, or tenant producers operating with one to five or more producers per farm (see Table 2: 2022 USDA Characteristics of Iowa Farm Producers). Of these farms, 25,914 farms, or 29.8 percent, involve new or beginning farmer producing operators, in some capacity, as defined by the USDA's definition of ten or fewer years of farming experience. However, as noted above, beginning farmers are defined by net worth, not years of experience, for the Iowa Beginning Farmer Tax Credit Program. In previous year tax credit evaluations, custom analysis of ARMS data was prepared that incorporated only principal operators, not producers of any contribution level, that compared beginning farmers by the USDA definition and the tax credit definition of net worth only for family farms. Therefore, it is important to not compare this analysis of descriptive data to prior years. In either case, an examination of available data illuminates the ways in which beginning farmers are different from established farmers.

A. Age and Gender of New and Beginning Farmers in Iowa

According to the USDA definition of new and beginning farmers, this group comprises 100.0 percent of farm producers under the age of 25 and 77.7 percent of those aged 25 to 34. However, new and beginning farmers are present across all age groups, including 11.1 percent of producers aged 65 to 74 and 4.9 percent of those 75 and older. In Iowa, beginning farmers account for 25.3 percent of all male and 30.1 percent of all female farm operators.

B. Primary Occupation and Residence of New and Beginning Farmers in Iowa

Only 14.4 percent of producing operators are new and beginning farmer producers who consider farming to be their primary occupation. Only 20.8 percent of all farms operators who state their primary place of residence is on the farm they operate are new and beginning farmers.

C. Operations of New and Beginning Farmers in Iowa

Not only are new and beginning farmers producing operators involved in less than 30.0 percent of all farms in Iowa, this group is involved in only 19.1 percent of all acres in farms in Iowa. In 2022, 47.2 percent of one to nine-acre farms involved new and beginning producing operators. No farms over 1000acres involved new and beginning producing operators. Thus, this indicates that new and beginning farmer producers' trend towards smaller farms with less acreage. New and beginning farmer producers operate on 39.9 percent of owned land in farms and 30.5 percent of land rented or leased in farms in Iowa. However, despite this, they operate on an average of 22.0 percent of all acreage in both categories, which highlights the limited scale of farm operations involving new and beginning farmers in Iowa.

New and beginning farmer operators participate in 17.3 percent of all oilseed and grain production in Iowa. Of all producing operators, new and beginning farmers represent the majority share, or 52.6 percent of all greenhouse, nursery, and floriculture farm production and 45.1 percent of all vegetable, melon and fruit or nut tree production in Iowa. Beef cattle represent the lowest proportion of new or beginning farmer operator participation, at less than 10.0 percent. However, in other animal production operations, such as hog and pig, dairy cattle, or poultry and egg production, new and beginning farmer operators represent 17.8 to 32.6 percent of all producing operators.

V. Descriptive Statistics of Program Awards and Claims by Asset Owners

A. Tax Credit Awards by Asset Owners

Awards are calculated upon application to the program as a tax credit equal to a percent of the amount paid to an asset owning taxpayer by a beginning farmer under an approved agreement. The award can be used to offset corporate or individual income tax liability owed by the asset owning taxpayer up to the amount approved for the award. As outlined in Section I, if the tax credit award is in excess of the asset owners tax liability during a given tax year, the remaining unclaimed amount of the award can be carried forward for up to 10 future tax years. Tax credit certificates for tax credit awards are issued for leases in place during the tax year for which a credit can first be claimed.

From the start of the program in 2007 through 2024, $91.6 million in tax credits have been awarded to asset owning taxpayers translating into a total of 17,310 tax credit certificates (see Table 3. Beginning Farmer Tax Credit Program Awards by Tax Credit and Tax Year). For the five years it was available between 2013 and 2017, 0.4 percent of awards were for the Custom Farming Contract Tax Credit. These awards totaled $343,463 and were issued as 98 tax credit certificates to asset-owning taxpayers. Overall, 99.6 percent of all awards have gone to the Beginning Farmer Tax Credit program, which has provided $91.2 million to asset-owning taxpayers through 17,212 certificates.

Numbering 287 in 2007, the quantity of tax credit certificates awarded increased sharply in the following year to 651 as the tax credit program was implemented. Consistent with this overall trend, from 2008 to 2014, both the number of tax certificates issued and the average award amounts under the Beginning Farmer Tax Credit Program exhibited a generally steady upward trajectory, characterized by only minor fluctuations and never surpassing 800 certificates in any given year. However, the most significant year-to-year increases occurred in 2015, when the number of certificates rose from 681 to 1,083, and again between 2016 and 2017, when the number increased from 1,466 to 1,867. According to IFA program administrators, these pronounced increases were attributable to expanded marketing efforts for the tax credit program during those periods. Further, the notable decline beginning in 2018 in tax credit certificate awards and average amounts was most likely the result of the expiration of the program's 2013 provisions at the end of 2017. In the absence of legislative action, the allocation for the Beginning Farmer Tax Credit was reduced from $12.0 million to $6.0 million, and the Custom Farming Contract Tax Credit was discontinued.

Consistent with steady increases in issued tax credit award certificates between 2007 and 2017, the total amount of Beginning Farmer Tax Credit awards also rose during this period. In 2007, tax credit awards totaled $1.3 million, with an average certificate value of $4,387. By 2017, total awards had increased to $9.5 million. This upward trend reflects, in part, increases in the average award amount per certificate. Average certificate values ranged from $3,123 in 2008 to a peak of $9,362 in 2013. These fluctuations mirror trends in statewide average cash rental rates and average corn and soybean prices. Higher average tax credit awards consistently correspond with years in which cash rental rates were elevated. For example, the notably high average awards in 2012 and 2013 align with particularly strong rental rates statewide. The peak in rental rates in 2013 followed the surge in corn and soybean prices in 2012. Conversely, the decrease in average award amounts in 2014 reflects a modest decline in cash rental rates from the previous year. Between 2013 and 2017, when the program offered enhanced tax credit percentages, the average award amount per certificate was $6,493. During this same period, while the Custom Farming Contract Tax Credit was also in effect, average certificate values for that credit ranged from $2,897 in 2013, when ten certificates were issued, to $4,991 in 2016, when 23 certificates were issued.

B. Tax Credit Claims by Asset Owners

Since 2007, 51,612 tax credit claims have been made for $74.9 million for the tax credit as a whole. Of these claims, 51,367 tax credit claims for $74.7 million have been for the Beginning Farmer Tax Credit and 245 tax credit claims for $346,757 have been for the Custom Farming Contract Tax Credit (see Table 4. Beginning Farmer Tax Credit Program Claims by Tax Credit and Tax Year).[16] Over the course of the Program, nearly all claims, or 96.8 percent, have been made against individual income tax. Claims against corporation income tax represent 2.4 percent of all claims and claims against fiduciary income tax represent 0.4 percent of all claims (see Table 5: Beginning Farmer Tax Credit Program Claims by Tax Type 2007-2024).

In all but two years of the tax credit's 17-year duration, tax credit claims amounts have steadily increased each year. On average, between 2008 and 2022, tax credit claim amounts increased 13.3 percent a year. While demand for the tax credit has grown since

[16] Note: Tax credit claims data totals are through 2024, but the 2024 tax year data is incomplete.

its inception, in general, program participation remains consistent with annual award applications never requiring waitlists. Consequently, this steady, consistent year-over-year increase in tax credit claims is attributable to the tax credit's ten-year carryforward claim period. Meaning, if an asset owner does not have enough tax liability to fully claim all of their tax credit award in the first year it is awarded, they have ten more years to claim the remainder of their tax credit award to their taxes if or when they have tax liability. An asset owner may do this until they exhaust the full amount of their original tax credit award. Thus, when one sees tax credit claims in a given year, a meaningful portion of tax credit claim amounts are from remaining balance awards from previous tax credit award years.

A ten-year carryforward period to claim a tax credit is somewhat unique compared to other Iowa tax credits.[17] The Beginning Farmer Tax Credit originally began with a five-year tax credit claim period, but this was changed to the current ten-year carryforward claim period in 2008. Hence, by 2018, tax credits awarded in 2008 were finalizing the ten-year carryforward period available to claim original tax credit awards and nine additional tax credit award years had the option to claim remaining tax credit award balances. Consequently, 39.3 percent of the $4.7 million 2018 tax credit claim amount was a result of remaining tax credit award balances carried-forward and claimed from ten previous tax credit award years.

Of note, in 2023, tax credit claim amounts deviated from the average annual growth discussed above and increased significantly, by 67.3 percent, from $6.6 million in 2022, to $11.1 million. While the number of tax credit claims increased modestly, by 14.4 percent from 2022 to 2023, the increase in tax credit claimants did not parallel the 67.3 percent increase in tax credit claim amounts. Further, 69.9 percent of 2023 tax credit claim amounts were the result of remaining tax credit award balances carried-forward and claimed from the ten previous years, which is higher, but still aligned with previous years. Therefore, this substantial increase in the 2023 tax credit claim amount is only partially explained by the role of carryforward claims. Accordingly, the increase was largely the result of a 2021 legislative change. Previously, an asset owner was limited to a total annual tax credit of $50,000, even when holding multiple agreements with different qualified beginning farmers. The change removed this cap, allowing a separate $50,000 credit for each agreement. Thus, beginning in 2022, asset owners could qualify for more tax credit awards while having the option to claim more of a tax credit award in a given year if the asset owner had enough tax liability. Consequentially, 19.0 percent of the carryforward tax credit claim amount in 2023 was attributable to individual claims above the former $50,000 tax credit claim cap per asset owner established for the Program between 2007 and 2021. For those 2023 tax credit claims above the former limitation, the average claim amount was $80,728.

For tax credits awarded in the ten years prior to 2022, the removal of the $50,000 tax credit claim cap across all agreements for an individual asset owner, 27.0 percent to 38.7 percent of tax credit awards were claimed in the first tax year available, with 47.6 percent to 76.4 percent of tax credit awards claimed by the third tax year available. However, when the 2022 Program change was implemented, 42.2 percent of 2022 tax credit awards were

[17] Note: Aside from the Charitable Conservation Contribution Tax Credit, which has a 20-year tax credit carryforward claim period, the Beginning Farmer Tax Credit ten-year tax credit carryforward claim period is the longest carryforward claim period for active nonrefundable tax credits available to individuals in tax year 2025. For more information on Iowa tax credit carryforward claim periods, refer to page six of the Iowa Department of Revenue *2024 IA 148 Iowa Tax Credits Schedule Instructions*.

claimed in the first tax year available, 55.1 percent of 2023 tax credit awards were claimed in the first tax year available, and 62.3 percent of 2024 tax credit awards were claimed in the first tax year available. Further, in the case of 2022 tax credit awards, the most recent tax credit award year with three years available to claim tax credits since the 2022 Program change, 92.0 percent of tax credits awards were claimed by the third tax year available. This is a marked contrast to tax credits awarded in 2012, which were to asset owners whose tax credit awards had been almost fully utilized or only had one remaining tax year to claim a tax credit carryforward balance by the point of the 2022 Program change. Of tax credits first awarded in 2012, 47.6 percent of tax credits awards were claimed by the third tax year available and 31.0 percent were unclaimed and expired by the end of that tax credit award year's ten-year carryforward period in 2023 (see Table 6: Beginning Farmer Tax Credit Claim Timing).

Conceivably, due to the 2022 claim cap change, many asset owners might find themselves in a position in future tax years where they may no longer need to carryforward as much of the award balances or forfeit unused tax credit awards because of their enhanced access to offset their overall income tax liability. Prior to 2022, tax credit claim amounts consistently averaged between $1,000 and $1,900. Larger tax credit claims have been possible in the last two tax years and tax credit claim amounts averaged $2,547 in 2023 and $2,482, in 2024, respectively. Thus, higher dollar amount tax credit claims each tax year could shift asset owners to opting to use more of their tax credit award sooner in their ten-year carryforward period. Eventually, tax credit claim amounts may decrease as this phenomenon smooths the impact of prior year tax credit awards carryforward claims utilizing the 2022 change. Further, one may see less tax credit claims expiring because an asset owner with income tax liability will have the opportunity to claim more of their tax credit award earlier than previous claim years prior to 2022.

VI. Economic Analysis of the Beginning Farmer Tax Credit Program

In addition to describing the structure, scope, awards, and claims of the tax credit programs, this evaluation study provides an economic analysis of the Beginning Farmer Tax Credit Program. Previous evaluations have focused primarily on beginning farmers who receive leased assets and have examined how participation in the program relates to successful entry into farming, positive economic outcomes, and long-term viability in the occupation.

In contrast, this economic analysis considers BTFC Program incentives offered to asset owning taxpayers to lease land, equipment, or buildings to new or beginning farmers who may lack the financial resources to purchase these assets compared to Iowa income tax law incentives for retiring agricultural asset owners when leasing or selling agricultural assets in general. Specifically, as the BTFC program approaches almost 20 years of existence, the economic analysis addresses the question, "How have recent changes in Iowa tax law for retired farmers influenced current and former asset owner engagement with the BTFC program?".

In order to assess the link between asset owner program participation in the BTFC program within the current tax climate for 2023 and 2024 tax years that includes income tax exclusions or deductions for the lease or sale of agricultural assets, this analysis compares asset owners between 2007 and 2022 who participated in the BTFC program to those who have utilized the one-time, lifetime Iowa tax law benefits for retired farmers ([2022 House File 2317]). Of note, tax year 2022 is the cut off for BTFC participation because a requirement of participating in the one-time, lifetime Iowa tax law benefits for retired farmers, a tax payer may not utilize the BFTC in the same year they elect a retired farmer lease income tax exclusion or capital gains deduction, even if they have current awards outstanding that have carried forward for the same tax year. The past BTFC program participants between 2007 and 2022 who have elected to leave the Program in the past or who have not elected to continue with the tax credit are identified within "retired farmers". They have elected either the lifetime exemption of eligible farm rental income or deduction of capital gains of farm assets from Iowa taxation now or in the future post the 2023 Iowa tax year. Further, they are identified in regards to the ratio of average income tax incentive savings with newly available tax exclusion or deduction for the retired farmer compared to those average income tax credit incentives available within the BTFC. Where possible, engagement with former BTFC participants, asset owners and beginning farmers, post-onetime, lifetime retired farmer income tax exclusion or deduction are identified. The factors and rationale for inclusion of these factors in the analysis are described below.

A. About Retired Farmer Income Tax and Capital Gains

Retirement income includes pension benefits, defined benefit and defined contribution plan distributions, annuities, individual retirement accounts, employer-sponsored retirement plans, plans maintained or contributed to by a self-employed individual in an employer capacity, and deferred compensation plans, including any earnings attributable to such plans. Starting with the 2023 tax year, Iowa law exempts all retirement income from State taxation for individuals who are disabled or who are 55 years of age or older. The exemption also applies to retirement income received by surviving spouses. Prior to 2023, Iowa allowed a more limited retirement income exclusion, up to $6,000 for single filers and up to $12,000 for married taxpayers filing jointly.

Recognizing that, for many farmers, their land serves as their primary retirement income generating asset, the 2023 retirement tax law changes also created a new option allowing retired farmers to make a one-time, life-time, permanent election regarding certain income exclusions. For those who elect these income exclusion, retired farmers must choose either to exclude eligible farm rental income or to deduct eligible capital gains from Iowa taxation. Once this election is made, it cannot be changed. For example, a retired farmer who elects to exclude farm rental income will never be able to claim the capital gains deduction for the same assets. This decision is irrevocable and requires the asset owning retired farmer to no longer or never again participate in the BTFC Program in the future. As of tax year 2024, choosing either the lease income exclusion or the capital gains deduction does not provide any additional tax incentives based on *who* a retiring farmer leases or sells assets to. In other words, unlike the other state tax credit programs or proposals discussed in Section II, these lifetime elections do not offer extra benefits for leasing or selling to beginning farmers, including those participating in the BTFC. The only incentives available are the standard income tax exclusion or deduction themselves.

a. Farm Lease Income Exclusion

To qualify for this election, the tax payer must be age 55 or older or be disabled, must have owned the real property and materially participated in a farming business for at least ten years, and must no longer be materially participating in that business. As with the Beginning Farmer Tax Credit, the exclusion applies only to income derived from written farm tenancy agreements, including cash leases, crop share leases, flex leases, and livestock share leases. Rental income received through ownership of an entity taxed as a partnership, S corporation, trust, or estate, even if the income passes through to the individual, does not qualify. Individuals who elect this exclusion may not claim the Iowa capital gain deduction in the current or any subsequent tax years, *nor may they utilize the Beginning Farmer Tax Credit in the current or any subsequent tax years.* Notably, there is no restriction for asset owning individuals who previously received the tax credit and are no longer participating in the program or who hold current award certificates with unused claim amounts; the only requirement is that they did not elect to use the tax credit program in the same year they apply for the lifetime farm lease income exclusion.

b. Capital Gain Deduction

Before 2023, Iowa allowed taxpayers to claim broad capital gain deductions, enabling many who sold businesses, including farming operations, or certain livestock to avoid state taxes on their gains. Beginning in 2023, the deduction became significantly more limited, applying primarily to the sale of real property used in farming and to certain livestock sold by retired or disabled farmers who are winding down their operations. Asset owning sellers of farmland may qualify for the deduction in one of two ways. One option requires the seller to have materially participated in the farming business for ten years and to have held the property for at least ten years, in which case the buyer does not need to be a relative. The other option allows the deduction when the property is sold to a qualifying relative, such as a child, grandchild, sibling, etc., without regard to the seller's participation or holding period. In addition, retired or disabled farmers aged fifty-five or older may elect to deduct gains from the sale of breeding, draft, dairy, or sport livestock held for at least twenty-four months, provided they materially participated in the farming business for five of the eight years preceding retirement or disability and sold all or substantially all of their farming interests. These changes are meant to reflect a deliberate narrowing of the Iowa capital gain deduction, emphasizing long-term involvement in farming and the orderly transfer or retirement of farming operations rather than broadly applying to any sale of a business or livestock.

Similar to the farm lease income exclusion, asset owning individuals who elect this deduction may not claim or use the Beginning Farmer Tax Credit awards in the current or any future tax years. There is no restriction for those who previously received the tax credit, but are no longer participating in the program, or who hold award certificates with unused claim amounts, as long as they do not elect to use the tax credit in the same year they apply for the lifetime capital gain deduction.

B. Economic Analysis Outcome Measure

The analysis uses tax records maintained by the Iowa Department of Revenue, supplemented by IFA, including data elements from Iowa individual income tax returns, federal individual income tax returns, and tax credit application information. The focus is on former BTFC participants, asset owners and former beginning farmers, who have elected, over the past two tax years (tax years 2023 and 2024[18]), to retire from farming and to make a one-time, life-time election regarding certain income exclusions for agricultural lease income or capital gains income deduction as a result of agricultural sales from no longer engaging with farm assets identified as those that were formally utilized for the benefit of beginning farmers as defined by the tax credit program.

1. Former participants
   For this analysis, former participants are identified as former tax credit asset owners who leased land to a beginning farmer. Also included are former BTFC beginning farmers who were a part of an asset owner agreement at the time of the tax credit award period who are now asset owners themselves. As stated above, a former participant is defined as someone who did not elect to utilize a BTFC award in the year they also elected to claim a lifetime exemption or exclusion. Various limitations in identifying former participants include the changing of name formats or legal structure since inclusion in the BTFC program. For example, a former asset owner, Jane Doe, may now have assets in 2023 identified as the Jane Doe Living Trust or Jane Doe LLC. Further, former assets held by an asset owner may now be the property of a surviving spouse, which required additional research and inquiry to link the spouses. Data quality was limited, at times, due to the nature of information submission for the two available lifetime income exclusions due to the “fill in the blank” nature of the exemption or exclusion tax forms that does not require lease or sale participants to be verified with a tax identification number or full legal name. For example, a “William” participant in the BTFC program might be identified as “Billy” on the lifetime exclusion tax form. However, careful analysis and discretion was used in all such instances to insure a balance of inclusion with accuracy.

2. Ratio of tax incentive savings with newly available tax incentives compared to those available with the program
   As noted above, BTFC participants have limitations on tax credit award amounts (between 5.0 to 15.0 percent of a lease agreement for income up to $50,000 per agreement) and cannot claim award amounts in excess of their annual tax liability within a given tax year during their award’s carryforward period. Thus, comparing the return on investment determination for a participant to no longer enroll in the BTFC program or forge outstanding claim amount to realize a higher level of income tax savings is material in the former participant’s decision-making process. The income tax rate for Iowa in tax year 2024 was a graduated 4.4 to 5.7 percent, but is assumed as 4.7 percent for both 2023 and 2024 tax year elections for the purposes of this analysis. The capital gains income tax rate for Iowa in tax year 2024 was 5.7 percent and this rate is assumed for both 2023 and 2024 tax year elections for the purposes of this analysis.

3. Continued beginning farmer engagement in former farm assets within the program that have transitioned to newly available tax incentives

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[18] Note: 2024 tax year data is incomplete and only accounts for the first six months, excluding October 2025, late filers, and later year amendments.

For this analysis, those individual beginning farmers who were self-identified by former BTFC asset owners as BTFC participants were manually identified. However, limitations exist in that those who leased from or bought assets from former asset owning participants that were not former BTFC beginning farmers do not have accompanying tax identification information.

C. Economic Analyses and Results Discussion

The analysis identifies former BTFC participants who have elected, over the past two tax years, to retire from farming and to make a one-time, permanent election regarding certain income exclusions for lease income or capital gains deductions from agricultural sales as a part of no longer engaging with their farm assets and resulting behaviors and benefits compared to options available (see Table 7. Former Beginning Farmer Tax Credit Participants Elections of Retired Farmer Onetime Lease Exclusions and Capital Gains Deductions 2023 and 2024).

1. Retired Farmer Farm Lease Income Exclusion

For tax year 2023 and partial tax year 2024, the first two tax years of the exclusion, 962 unique, individual asset-owning tax payers who qualify for the Retired Farmer Farm Lease Income Exclusion have elected to exclude income derived from written farm tenancy agreements from their individual income taxes.[19] Of these farm tenancy income exclusions, 74 individuals in unique agreements, or 7.7 percent, were identified as former BTFC asset owners and/or beginning farmer participants. On average, these former BTFC participants hold 376 acres and lease 73.4 percent of this acreage as part of the lease agreement for the income exclusion. Approximately, 54.0 percent are a part of a partnership share in a larger farming operation. Further, 41.0 percent lease to a family member. The average, annual income from a lifetime income tax excluded lease agreement is $72,105. At the assumed income tax rate identified above, this would result in an estimated, average annual income tax exclusion of $4,110 a year. At the BTFC program tax credit rate, this same amount, should there be awarded funds remaining to claim against income tax liability, would be $2,809 to $8,426 given the form of the lease agreement.

2. Retired Farmer Capital Gain Deduction

For tax year 2023 and partial tax year 2024, the first two tax years of the exclusion, 101 unique, individual asset owning tax payers who qualify for the Retired Farmer Capital Gain Deduction have elected to deduct capital gains income derived from the sale of real property used in farming. Of these electing to sell their operations, 22 individuals, or 21.8 percent, were identified as former BTFC asset owners and/or beginning farmer participants. Meaning, a retired farmer was either a former asset owner participating in the BTFC Program, or a purchaser of a retired farmer's assets was a former BTFC Program beginning farmer who squired land and other agricultural assets as a result of the sale.[20] These former BTFC participants hold and sold or bought an average of 107 acres per transaction for the capital gains deduction. Approximately, 22.7 percent are a part of a partnership share in a larger farming operation and 27.3 percent sold to a family member. The average, onetime income from an excluded lifetime farm asset sale is

[19] Note: When making the election, one single tax payer may enter into lease agreements with multiple individuals.

[20] Note: These categories are combined to protect tax payer information.

$512,921[21]. At the assumed capital gains tax rate identified above, this would result in an estimated income tax exclusion of $29,237 in a given tax year.

In tax year 2023, 835 BTFC new beginning farmer tax credit certificates were issued and 4,346 BTFC claims were made. Thus, only 96 former BTFC individuals for the combined 2023 and partial 2024 tax years electing for lifetime exclusions of farm asset lease or sale income may seem insignificant. However, given that many of these awards and claims are not unique, meaning the same asset owner can be associated with several in a given year, it is important to note that this incentivized transition into retirement and transfer of assets to a permanent new generation of tenants or asset owners marks a shift in availability of farm assets, in general, from asset owners who do or have leased assets to beginning farmers in the past. Notably, many of the former BTFC asset owners who elected for a lifetime exclusion of *lease* income, also elected to continue lease agreements with former BTFC beginning farmers. This instance predominantly occurred when the former BTFC asset owner was related to the former BTFC beginning farmer. Given that the average BTFC income tax claim for tax year 2023 was $2,547, but the average annual income tax exclusion of lease income for a retired farmer who previously participated in the BTFC program is $4,110 a year, this suggests there is possibly an overall increased incentive to elect out of the BTFC Program to transition to the Retired Farmer Farm Lease Income Exclusion option when leasing to a beginning farmer as defined by the BTFC Program or not.

Conversely, although 27.2 percent of former BTFC Program retired farmers who elected to use the onetime capital gains deduction sold their farm assets to a family member, none sold to any known former BTFC beginning farmers. Likewise, none of the former BTFC beginning farmers who purchased agricultural assets from retired farmers using the onetime capital gains deduction bought those assets from a known former BTFC participant. These findings suggest that, in agricultural succession planning, retired farmers who choose to sell their assets, but lack identified successors, are more strongly motivated by the prospect of a lump sum retirement income with the assistance of the onetime income tax incentive to sell to the highest bidder. This incentive appears to outweigh the benefits of continuing to lease their assets to BTFC beginning farmers as defined by the Program in cases where farmers are deciding between selling assets for retirement income verses maintaining lease agreements with BTFC beginning farmers or electing to sell to beginning farmers.

Ultimately, future improvement of tax forms, data collection and processes, and analysis that incorporates more tax years at the State's new tax rates can lead to a better understanding of how the recent changes in Iowa retirement tax law may influence asset owner engagement with the BTFC program with relation to the beginning farming population beyond these initial findings.

[21] Note: This includes onetime transactions and the full amount charged for installment payment transactions.

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Beginning Farmer Tax Credit Program

Tax Credit Evaluation Study

Appendix, Tables, and Figures

Appendix 1. Timeline of Major Program Changes by Effective Date[22]

January 1, 2007 The 2006 General Assembly enacted Senate File 2268, or the "Beginning Farmers-Agricultural Assets Transfer Agreements Income Tax Credits" law, which first made the original forms of the Beginning Farmers tax credit available to owners of agricultural assets (agricultural land, depreciable agricultural property, crops, or livestock) who leased or rented these assets to a beginning farmer. A beginning farmer was defined as an individual, partnership, family farm corporation, or family farm limited liability company with a low or moderate net worth who engages in farming or wishes to engage in farming. Lease or rental agreements that qualified for the tax credit could be for two to five years and renewed for up to two to five years. The asset owner could be awarded a tax credit equal to 5.0 percent of the amount paid to the asset owner by a beginning farmer under a lease agreement or a 15.0 percent tax credit for a crop share agreement. The tax credit was non-transferable and could be carry-forward for up to five years.

January 1, 2008 The program cap was increased to $6.0 million per fiscal year.

January 1, 2013 The Custom Farming Contract Tax Credit becomes effective for tax years 2013 through 2017. Together, with the Agricultural Assets Transfer Tax Credit, the two tax credits are called the Beginning Farmer Tax Credit Program. The overall annual program cap is increased from $6.0 million to $12.0 million for the five years during which the Custom Farming Contract Tax Credit is available.

The carryforward period for the two credits under the Beginning Farmer Tax Credit Program is extended from five to ten years for credits awarded in 2008 or later.

The Agricultural Assets Transfer Tax Credit percentage for cash rent agreements is increased from 5.0 percent to 7.0 percent; the percentage for crop share agreements is increased from 15.0 to 17.0 percent effective for tax years 2013 through 2017. If the beginning farmer is a veteran, the tax credit rates are 8.0 or 18.0 percent for the first year of the contract.

The Custom Farming Contract Tax Credit is available for landowners who hire a beginning farmer to do custom work and allows the landowner to claim 7.0 percent of the value of the contract as a tax credit. If the beginning farmer is a veteran, the credit is 8.0 percent for the first year.

[22] Note: Many technical, administrative, and substantive changes have been enacted related to Beginning Farmer Tax Credit. However, this timeline only highlights the substantive changes.

Appendix 1. Timeline of Major Program Changes by Effective Date Continued

January 1, 2015	With the passage of 2015 House File 624, Custom Farming Contract Tax Credits may be awarded for contracts of terms of up to 24 months. Under prior law, a custom farming contract could be for a term of no more than 12 months.
January 1, 2018	The previous 2013 provisions expire and, without legislative intervention, the allocation for both Beginning Farmer Tax Credits is reduced from $12.0 million to $6.0 million a year. The Custom Farming Contract Tax Credit is eliminated. The tax credit for cash rent leases decreases from 7.0 percent to 5.0 percent and the tax credit for crop share leases decreases from 17.0 percent to 15.0 percent. The additional 1.0 percent credit for leasing to a beginning farmer who is a veteran is eliminated.
January 1 ,2019	With the passage of 2019 House File 768, the Iowa Finance Authority may issue up to $12.0 million in tax credit certificates each tax year, an increase from $6.0 million under 2018 law. The $7.9 million in agreements that existed as of the end of calendar year 2018 are not included as part of the new $12.0 million cap. The formal name of the “Agricultural Assets Transfer Tax Credit” is changed to the “Beginning Farmer Tax Credit”. However, there are no major structural changes to the actual tax credit and it continues to provide tax credits to eligible Iowa taxpayers who lease agricultural land (and associated improvements or equipment) to qualified beginning farmers.
January 1, 2022	Agreements are allowed to be renewed any number of times for a term of at least two years and an eligible taxpayer first participating in the tax credit on or after January 1, 2019 is limited to 15 years of participation. Agricultural assets subject to qualifying leases are now allowed to include agricultural improvements and are no longer required to include agricultural land. Further, asset owners are allowed to enter into agreements with different qualified beginning farmers in one year. Further, the $50,000 award cap that may be awarded to an asset owner in a year under *all* agreements with qualified beginning farmers is removed. Awards are now capped at $50,000 per agreement with a qualified beginning farmer and there is no cap on the amount of awards an asset owner may be awarded under all agreements in a year (2021 Senate File 619).

Table 1: Comparable 2025 Beginning Farmer Tax Credit Programs by State

State	Ohio	Iowa	Minnesota	Nebraska	Pennsylvania
Program/Tax Credit	Beginning Farmer Tax Credit Program	Beginning Farmer Tax Credit	Beginning Farmer Tax Credit	Beginning Farmer Tax Credit	Beginning Farmer Tax Credit
Tax credit/deduction applies to	Individual Income Tax	Individual Income Tax Corporate Income tax	Individual Income Tax	Individual Income Tax Corporate Income tax	Individual Income Tax
Beginning Farmer (BF) Requirements					
State Resident	Intends to be or has for 10 years of less	X	X	X	NA, but must farm in state
Farm experience/Ed	X	X	X	X	X
Capital/assets access	NA	X	NA	No	X
10 yrs. or less experience	X	No	No	X	X
Participant in earning	X	X	X	X	X
Annual net worth cap	$800,000	$820,000	$1,042,000	$725,000	NA
Business Courses	X	NA	X	X	NA
Certified by state as a BF	X	No	No	No	X
Close relation to owner	Not allowed	Allowed	Not allowed, except in the case of a sale	Allowed if attends a succession planning training	Not allowed
Credit Amount to Asset Owner	3.99% of sale price; 3.99% of rental income; 3.99% of share-rental agreement	5% of cash rent agreement; 15% of crop share agreement	5% of sale price; 10% of cash rent agreements; 15% of crop share agreements	10% of cash rent agreements; 15% of crop share agreements	5% of sale price; 10% of gross lease income
Program Benefit to BF	Non-refundable tax credit for the cost of a financial management program		Cost of business course up to $1500 a year for 3 years	One-time income tax credit up to $500 for approved business course; Personal property tax exemption up to $100,000 over 3 years	NA
Applicable Agricultural Assets					
Land	X	X	X	X	X
Machinery/Equipment	X	X	X	X	X
Livestock	X	X	X	X	X
Buildings	X	X	X	X	X
Bin Storage	X	X	X	X	X
Lease Requirements	3 years or longer	2-5 years	3 years	3 years	3 years
Tax Credit Limit	None	Up to $50,000 a per lease agreements	Up to $50,000 of sale price (one-time); Up to $7,000 for lease agreements; Up to $10,000 for crop share agreements	None	Up to $32,000 of sale price (one-time); Up to $7,000 for lease agreements per year
Tax Credit Program Cap	$10.0 million aggregate	$12.0 million annual	$4.0 million	$2.0 million	$6.0 million
Transferability	No	No	No	No	No
Refundability	No	No	No	Yes	No
Carryforward	7 years	10 years	15 years	No	No
Initial Award Year	2022	2007	2017	1999	2019
Ending Year	2028	NA	2030	NA	NA

Sources: Iowa Economic Development & Finance Authority (2025); Minnesota Department of Agriculture, (2025); Nebraska Department of Agriculture, (2025b); Ohio Department of Agriculture, (2025); Ohio General Assembly, (2022); Pennsylvania Department of Community & Economic Development, (2025).

Table 2: 2022 USDA Characteristics of Iowa Farm Producers

	State Total All Procurers*	Involves New and Beginning Producers**	Percent Involves New and Beginning Producers
Farms and Land in Farms			
Farms	86,911	25,914	29.8%
Land in Farms (acres in millions)	29.98	5.74	19.1%
Average Size of Farm (acres)	345	221	-
1 to 9 Acres	7,270	3,435	47.2%
10 to 49 Acres	18,641	6,786	36.4%
50 to 179 Acres	24,624	8,197	33.3%
180 to 499 Acres	19,335	4,538	23.5%
500 to 999 Acres	9,690	2,958	30.5%
1000+ Acres	7,351	0	0.0%
Owned and Rented Lands			
Owned Land in Farms	55,680	22,212	39.9%
Owned Land in Farms (acres in millions)	12.25	2.78	22.7%
Rented or Leased Land in Farms	30,669	9,342	30.5%
Rented or Leased Land in Farms (acres in millions)	13.92	2.95	21.2%
Sex of Producers			
Male	103,417	26,130	25.3%
Female	50,263	15,134	30.1%
Age Group			
Under 25 Years	2,253	2,253	100.0%
25 to 34 Years	13,582	10,557	77.7%
35 to 44 Years	21,145	10,654	50.4%
45 to 54 Years	21,628	6,558	30.3%
55 to 64 Years	36,792	6,087	16.5%
65 to 74 Years	37,259	4,134	11.1%
75 Years and Over	21,021	1,021	4.9%
Primary Occupation			
Farming	67,629	9,766	14.4%
Other	86,051	31,498	36.6%
Place of Residence			
On Farm Operated	94,153	19,562	20.8%
Not on Farm Operated	59,527	21,702	36.5%
Years Operating Any Farm			
5 Years or Less	19,261	19,261	100.0%
6 to 10 Years	22,003	22,003	100.0%
11 Years of More	112,416	-	0.0%
Farms Industry by NAICS Classification			
Oilseed and Grain (1111)	66,366	11,454	17.3%
Vegetable, Melon, Fruit/Nut Tree (1112, 1113)	1,342	605	45.1%
Greenhouse, Nursery, Floriculture (1114)	587	309	52.6%
Other Crop (1119, 11191, 11192, 11193)	20,784	6,315	30.4%
Beef Cattle (112111)	28,551	2,771	9.7%
Cattle Feedlot (1112112)	1,478	317	21.4%
Dairy Cattle/Milk Production (11212)	662	180	27.2%
Hog and Pig	3,748	1,222	32.6%
Poultry and Egg Production (1123)	2,468	651	26.4%
Sheep and Goat (1124)	3,796	961	25.3%
Other Animal Production (1125, 1129)	6,359	1,129	17.8%

Source: 2022 USDA Agricultural Resource Management Survey.
* All producers are those involved in day-to-day decisions of a farm in any capacity.
** New and Beginning Producers have ten years or less of experience and could or could not be involved in day-to-day decisions.

Table 3: Beginning Farmer Tax Credit Program Awards by Tax Credit and Tax Year

	Beginning Farmer Tax Credit			Custom Farming Contract Tax Credit			Beginning Farmer Tax Credit Program Total	
Award Year	Number of Certificates	Certificate Amount	Average Certificate Amount	Number of Certificates	Certificate Amount	Average Certificate Amount	Number of Certificates	Certificate Amount
2007	287	$1,259,113	$4,387	--	--	--	287	$1,259,113
2008	651	$2,032,777	$3,123	--	--	--	651	$2,032,777
2009	696	$2,659,104	$3,821	--	--	--	696	$2,659,104
2010	767	$3,598,519	$4,692	--	--	--	767	$3,598,519
2011	789	$5,222,990	$6,620	--	--	--	789	$5,222,990
2012	726	$5,756,780	$7,929	--	--	--	726	$5,756,780
2013	640	$5,991,784	$9,362	10	$28,974	$2,897	650	$6,020,758
2014	664	$4,446,186	$6,696	17	$30,045	$1,767	681	$4,476,231
2015	1,059	$5,990,017	$5,656	24	$89,703	$3,738	1,083	$6,079,720
2016	1,443	$8,041,468	$5,573	23	$114,786	$4,991	1,466	$8,156,254
2017	1,843	$9,540,468	$5,177	24	$79,955	$3,331	1,867	$9,620,423
2018	1,414	$5,990,017	$4,236	--	--	--	1,414	$5,990,017
2019	1,283	$6,427,578	$5,010	--	--	--	1,283	$6,427,578
2020	1,325	$6,545,719	$4,940	--	--	--	1,325	$6,545,719
2021	1,295	$6,047,530	$4,670	--	--	--	1,295	$6,047,530
2022	1,038	$5,026,788	$4,843	--	--	--	1,038	$5,026,788
2023	835	$4,339,822	$5,197	--	--	--	835	$4,339,822
2024*	457	$2,329,878	$5,098	--	--	--	457	$2,329,878
Total	17,212	$91,246,538	$5,301	98	$343,463	$3,505	17,310	$91,590,001

Sources: Iowa Department of Revenue and Iowa Economic Development & Finance Authority.
*Tax Year 2024 data is incomplete.

Table 4: Beginning Farmer Tax Credit Program Claims by Tax Credit and Tax Year

	Beginning Farmer Tax Credit Claims				Custom Farming Contract Tax Credit Claims				Program Total Claims			
Tax Year	Number of Claims	Claims	Average Claim Amount	Expired Claims	Number of Claims	Claims	Average Claim Amount	Expired Claims	Number of Claims	Claims	Average Claim Amount	Expired Claims
2007	357	$656,106	$1,838	$0	0	$0	$0	$0	357	$656,106	$1,838	$0
2008	798	$1,315,362	$1,648	$0	0	$0	$0	$0	798	$1,315,362	$1,648	$0
2009	1,026	$1,360,607	$1,326	$0	0	$0	$0	$0	1,026	$1,360,607	$1,326	$0
2010	1,342	$1,797,530	$1,339	$0	0	$0	$0	$0	1,342	$1,797,530	$1,339	$0
2011	1,621	$2,350,063	$1,450	$0	0	$0	$0	$0	1,621	$2,350,063	$1,450	$0
2012	1,717	$3,243,623	$1,889	$100,603	0	$0	$0	$0	1,717	$3,243,623	$1,889	$100,603
2013	1,815	$3,120,494	$1,719	$3,473	11	$15,606	$1,419	$0	1,826	$3,136,100	$1,717	$3,473
2014	2,364	$3,769,725	$1,595	$0	14	$19,519	$1,394	$0	2,378	$3,789,244	$1,593	$0
2015	2,988	$3,879,326	$1,298	$852	31	$47,277	$1,525	$0	3,019	$3,926,603	$1,301	$852
2016	3,806	$5,142,091	$1,351	$23,096	59	$92,444	$1,567	$0	3,865	$5,234,535	$1,354	$23,096
2017	4,738	$5,222,157	$1,102	$8,819	48	$64,864	$1,351	$0	4,786	$5,287,021	$1,105	$8,819
2018	4,826	$4,665,758	$967	$46,765	25	$26,058	$1,042	$0	4,851	$4,691,816	$967	$46,765
2019	4,698	$4,718,487	$1,004	$180,173	15	$11,641	$776	$0	4,713	$4,730,128	$1,004	$180,173
2020	4,348	$4,919,102	$1,131	$234,882	13	$16,646	$1,280	$0	4,361	$4,935,748	$1,132	$234,882
2021	4,551	$5,176,741	$1,137	$450,729	9	$17,785	$1,976	$0	4,560	$5,194,526	$1,139	$450,729
2022	3,778	$6,582,252	$1,742	$241,302	20	$34,917	$1,746	$0	3,798	$6,617,169	$1,742	$241,302
2023*	4,346	$11,067,822	$2,547	$1,230,074	*	*	*	$0	4,346	$11,067,822	$2,547	$1,230,074
2024**	2,248	$5,580,031	$2,482	$170,536	0	$0	$0	$0	2,248	$5,580,031	$2,482	$170,536
Total	51,367	$74,567,277	$1,452	$2,691,304	245	$346,757	$1,415	$0	51,612	$74,914,034	$1,451	$2,691,304

Sources: Iowa Department of Revenue and Iowa Economic Development & Finance Authority.
*Custom Farming Contract Tax Credit Claims merged with 2022 data to protect tax payer privacy.
**Tax Year 2024 data is incomplete.

Table 5: Beginning Farmer Tax Credit Program Claims by Tax Type 2007-2024

	Beginning Farmer Tax Credit Claims			Custom Farming Contract Tax Credit Claims			Program Total Claims		
Tax Type	Number of Claims	Claims	% of Claims	Number of Claims	Claims	% of Claims	Number of Claims	Claims	% of Claims
Individual Income	49,762	$72,521,680	97.3%	189	$283,436	77.1%	49,951	72,805,116	96.8%
Corporation Income	1,229	$1,761,584	2.4%	56	$63,321	22.9%	1,285	1,824,905	2.4%
Fiduciary Income	376	$284,013	0.4%	0	$0	0.0%	376	284,013	0.4%
Total	51,367	$74,567,277	100.0%	245	$346,757	100.0%	51,612	$74,914,034	100.0%

Sources: Iowa Department of Revenue and Iowa Economic Development & Finance Authority.
Note: Tax Year 2024 data included is incomplete.

Table 6: Beginning Farmer Tax Credit Claim Timing

	Tax Credit Claim Year																			
Award Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*	Three Years After Award	Total to Date
2007	49.2%	20.2%	7.6%	6.1%	5.4%	2.7%	--	--	--	--	–	–	–	–	--	--	--	--	77.0%	91.1%
2008	--	48.8%	13.1%	5.7%	7.3%	4.4%	4.3%	3.5%	1.3%	0.4%	0.3%	0.3%	–	–	--	--	--	--	67.6%	89.3%
2009	--	--	39.5%	15.8%	8.7%	6.4%	4.0%	2.9%	1.8%	1.0%	0.8%	0.4%	0.5%	–	--	--	--	--	64.0%	81.8%
2010	--	--	--	34.7%	15.6%	10.5%	6.1%	3.5%	2.4%	2.1%	1.6%	1.1%	0.7%	0.7%	--	--	--	--	60.8%	79.1%
2011	--	--	--	--	27.0%	20.2%	7.8%	4.8%	2.5%	1.9%	2.1%	2.3%	1.4%	0.9%	1.1%	--	--	--	54.9%	72.1%
2012	--	--	--	--	--	28.5%	11.1%	8.0%	3.3%	2.0%	3.1%	2.9%	2.9%	1.5%	1.7%	2.3%	--	--	47.6%	69.0%
2013	--	--	--	--	--	--	29.5%	12.8%	8.1%	7.7%	2.5%	2.9%	2.7%	1.6%	1.5%	2.4%	9.3%	--	50.4%	80.9%
2014	--	--	--	--	--	--	--	32.7%	11.2%	8.6%	5.6%	4.7%	3.1%	1.7%	1.7%	5.3%	4.0%	3.6%	52.4%	82.0%
2015	--	--	--	--	--	--	--	--	32.5%	14.4%	7.1%	5.8%	5.0%	3.6%	3.5%	6.2%	5.1%	4.1%	54.0%	87.3%
2016	--	--	--	--	--	--	--	--	--	34.4%	11.5%	8.1%	5.0%	5.7%	4.1%	3.3%	6.5%	2.3%	54.1%	81.0%
2017	--	--	--	--	--	--	--	--	--	--	33.2%	12.7%	7.0%	5.7%	4.6%	3.5%	8.4%	3.4%	52.9%	78.5%
2018	--	--	--	--	--	--	--	--	--	--	–	29.2%	10.9%	8.0%	6.8%	5.9%	10.7%	2.8%	48.2%	74.3%
2019	--	--	--	--	--	--	--	--	--	--	–	–	35.2%	11.3%	7.5%	10.7%	13.4%	3.7%	53.9%	81.8%
2020	--	--	--	--	--	--	--	--	--	--	–	–	–	36.5%	14.8%	12.7%	22.3%	5.5%	64.0%	91.8%
2021	--	--	--	--	--	--	--	--	--	--	–	–	–	–	38.7%	20.5%	17.3%	14.1%	76.4%	90.5%
2022	--	--	--	--	--	--	--	--	--	--	–	–	–	–	--	42.2%	73.7%	39.3%	92.0%	92.0%
2023	--	--	--	--	--	--	--	--	--	--	–	–	–	–	--	--	55.1%	13.8%	--	68.9%
2024*	--	--	--	--	--	--	--	--	--	--	–	–	–	–	--	--	--	62.3%	--	62.3%

Sources: Iowa Department of Revenue and Iowa Economic Development & Finance Authority.
*Tax Year 2024 data is incomplete.
Note: Excludes Custom Farming Contract Claims.

Table 7: Former Beginning Farmer Tax Credit Participants Elections of Retired Farmer Onetime Lease Exclusions and Capital Gains Deductions (2023 and 2024)

	Number of former BTFC	Average Acres	Average Acres in Tenacy/Sold	Average Years Held	Sole Owner	Partnership	Average Tenacy/Sale Income	Relationship to farm tenate/buyer
Farm Lease Income Exclusion	74	376	276	36	40	34	$72,105	30
Capital Gain Deduction	22	119	119	29	17	5	$512,921	6
TOTAL	96	248	198	33	29	20	$292,513	36

Sources: Iowa Department of Revenue and Iowa Economic Development & Finance Authority.