IOWA FINANCE AUTHORITY

RECEIVE TAX FREE INCOME BY SELLING ON CONTRACT TO A BEGINNING FARMER

If you are considering selling your property on contract to a beginning farmer, you may be eligible to use the IADD Beginning Farmer Loan program and receive federal and state tax exemption on the interest you earn on the contract.

Beginning Farmer Loan Program (BFLP)

The Iowa Beginning Farmer Loan Program (BFLP) assists new farmers in acquiring agricultural property by offering financing at reduced interest rates. Beginning Farmer Loans are financed with the issuance of a tax-exempt bond. The contract seller benefits from this tax-exempt financing as the interest on the contract is exempt from both federal and state income taxes. This tax exemption allows the contract seller to pass that savings on to the beginning farmer with a lower interest rate. Beginning farmer contracts typically carry interest rates of 20-25% below prevailing market rates. Negotiation of loan terms and conditions are between the contract seller and the beginning farmer. Contract sales are not permitted between closely related parties (parents, grandparents or siblings). This program can be used to buy land and buildings, machinery and purchase breeding livestock. IADD's Beginning Farmer program is often used in conjunction with the FSA 5/45/50 beginning farmer loan program. The approval process is typically about 5-6 weeks. **The deadline to apply is the 1st of each month**.

IADD Beginning Farmer Eligibility Requirements

Beginning farmer must:

- Have net worth below $737,000 (2022 Maximum)
- Be at least 18 years old and a resident of Iowa
- Have sufficient education, training, and experience for the anticipated farm operation
- Have access, as needed, to adequate working capital, farm machinery, livestock and/or agricultural land
- Beginning farmer's present and past landownership cannot exceed 30% of the county median farm size

Please direct Beginning Farmer Loan Program questions to:

Tammy Nebola
Ag Loan Program Specialist
515.452.0468

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