



# 2022 Survey of Iowa Beginning Farmer Tax Credit Participants: Results Summary

## Land Access Policy Incentives Research & Extension Project

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## Summary

Here are preliminary results from a 2022 survey of participants in Beginning Farmer Tax Credits (BFTC) around the country, conducted by [Indiana University Food and Agrarian Systems](#) research group as part of a [USDA-NIFA](#) funded assessment of land access incentive policies nationwide.

A total of 525 beginning farmers and landowners who have participated in the Iowa BFTC since 2008 filled out the survey (representing a random sample of 213 beginning farmers and 312 landowners, or "asset owners"). Here are top takeaways for Iowa.

[Find more detailed survey results here.](#)

## Takeaways to understand

Both Beginning Farmer and Rancher (BFR) and landowner participants in the Tax Credit rate the Tax Credit highly. Clear majorities of both BFRs and owners find the Tax Credit helpful, are satisfied by it, and view it as a good tool for the state. BFRs also say that the Tax Credit helps them to market themselves and helps their farm operation to succeed. At the same time, there is nuance to their approval. BFRs who have enrolled in the Tax Credit clarify that the policy does not solve their land access challenges: **over three-quarters of BFRs who have enrolled in the Iowa BFTC still face a land access challenge at the present time (77%)**.

Another nuance appeared in questions that explored whether the BFTC is inspiring participants to do something different than they were already doing.

We were surprised to see that **nearly half of participants already rented from/to the same landlord/tenant prior to enrolling in the BFTC (44%)**. So, in close to half of cases, the incentive is not necessarily inspiring a new relationship.

In another set of questions, a small majority of owners did attribute their land access agreements to the BFTC, and close to half of the beginners said they would have needed to compromise more on land or equipment without the BFTC. Those responses pointed to the distinctive and helpful function of the Tax Credit. At the same time, small majorities of BFRs and owners also said that the same lease or sale would have happened even without the benefit of the Tax Credit. So again our raw data indicate that **in about half of cases participants may be enrolling in the Tax Credit to do what they would have done anyway**.

These are puzzles we will examine further during our formal statistical analysis of these responses. These preliminary conclusions may shift when that analysis is complete. For now, they suggest that a question for the Tax Credit policy moving forward is -

**How could the BFTC be revised to specifically motivate new relationships, or something other than business as usual?**

## Landlords are giving a break on rental prices.

More good news is that the Tax Credit is leading to a price break on half of rental or sale agreements (52%). Close to half of BFRs say they have received a price break from their asset owner or seller (44%). Even more owners say they have given a price break to a BFR (57%).

## Share rents are comparatively prevalent, and leases are not leading to sales to BFRs.

Most land access agreements enrolled in the Tax Credit are for cash rent (52%). Iowa's 39% of lease agreements that are for share rent is actually high across BFTC states. Iowa's BFTC enrolls about the same percentage of share rent agreements as Nebraska's BFTC, however, according to these responses, Iowa has enrolled more share rent agreements than Minnesota's BFTC. Only 9% of Minnesota's agreements are for share rent. Even though the states presently provide the same tax credit levels (15% on share rents and 5% on cash rents), the Iowa BFTC may somehow work better than Minnesota's to encourage share rental agreements. Encouraging share rents was an original goal when Nebraska created the country's first BFTC. Nebraska aimed to encourage share rents because, compared to cash rents, share rents can buffer BFRs' levels of risk and capital investment and support their entry and success. Finally, 7% of Iowa lease agreements in the BFTC are flex rent agreements and 2% were custom farming agreements, which were only able to qualify for a short period of time.

On the other hand, few lease agreements enrolled in the Tax Credit have later led to a sale of assets to the BFR (only 4%). This indicates that the rental access the Tax Credit facilitates does not translate to landownership, at least of the Tax Credit parcel.

## Who is participating among Beginning Farmers?

Almost exclusively people who grew up in farming families, or generational farmers (94%). The other 6% of BFR participants, those who did not grow up on a farm, is lower than in Minnesota, where 20% of BFTC enrollees are first-generation farmers or ranchers. Iowa also has fewer first generation farmers than in Nebraska (12%). Thus, according to these responses, Iowa's is the least likely BFTC to enroll a first-generation farmer. Farms that enroll in the Tax Credit produce feed grains (73%), followed by food grains (9%), livestock/poultry (9%), and other types of products (horticultural crops / timber / forage) (9%).

## Landholdings and scales of operations

**Most BFRs who enroll in the Tax Credit already own land (58%),** though this land may have been purchased after they began participating in the BFTC. The median value of the landowning BFRs' holdings is 80 acres. The most land owned by a BFR respondent is 320 acres.

Lease agreements through the Tax Credit are generally for 236 acres (median value). BFRs who enroll in the BFTC operate 450 acres (median value). BFRs in Iowa operate less land than BFRs in the Nebraska BFTC (552 acres), but more than those in Minnesota's BFTC (132 acres). They aspire to farm 2,000 acres one day (median value).

## Demographics of BFR survey respondents at time of enrollment

80% were aged 35 and under when they first enrolled in the Tax Credit.

99% are Men  
98% are White  
1% are Asian  
1% are Indigenous

## Tax Credit landowner characteristics and land transfer plans

Most landowners enrolled in the Tax Credit have started making plans to transfer their land (77%). Over three in four owners will wait to transfer all of their land after the time of their death, through their estate (78%). Very few plan to transfer land during their lifetimes (5%). Some plan to do both (17%). A large majority of landowners will only transfer their holdings to family (93%). Another 3% will transfer at least some land to a successor from a different family and 4% intend to do both.

Iowa does not incentivize sales of assets through its BFTC as is the case with Minnesota's BFTC. In fact, nearly one in five respondents in Minnesota are using their state's BFTC for sales of land or other assets to a BFR (18%). We were interested to see if including sales in Iowa's BFTC would make it more likely that owners would sell their land to BFRs. When asked if a state income tax credit on the sale of land would make it more likely for an Iowa landowner to transfer land to a BFR during their lifetime, 72% of landowners said maybe or yes. Only 24% of landowners said no. So, the inclusion of sales in Iowa's BFTC could entice landowners to transfer their land to BFRs, as it is in Minnesota.

Since another key piece of the puzzle is federal capital gains tax policy, we asked Iowa landowners two questions about how much capital gains taxes may influence their land transfer plans. As we established earlier, most landowners are planning to transfer land through their estate to family members, which would avoid capital gains taxes. Most landowners (79%) report their land transfer plans being somewhat or heavily affected at the prospect of paying federal capital gains taxes. Only 21% feel their plans are not influenced by capital gains taxes. When asked whether a reduction or elimination of capital gains taxes on land sales to a BFR would incentivize them to sell to a BFR, 79% of landowners said they would be more likely to sell to a BFR.

## Expanding tax credits to serve more groups of Historically Underserved farmers

Our research is also assessing other land access policies that incentivize landowners to rent or sell to Black, Indigenous, Hispanic, Asian, and other farmers and ranchers of color, who may not also be BFRs (such as [the federal CRP-TIP](#)). So we put a question in the Tax Credit surveys to ask BFTC participants how much they would agree with expanding the Tax Credit to also serve producers of color. Almost three-quarters of respondents were in agreement or neutral (70%).

### Iowa Beginning Farmer Tax Credit Participant by County

