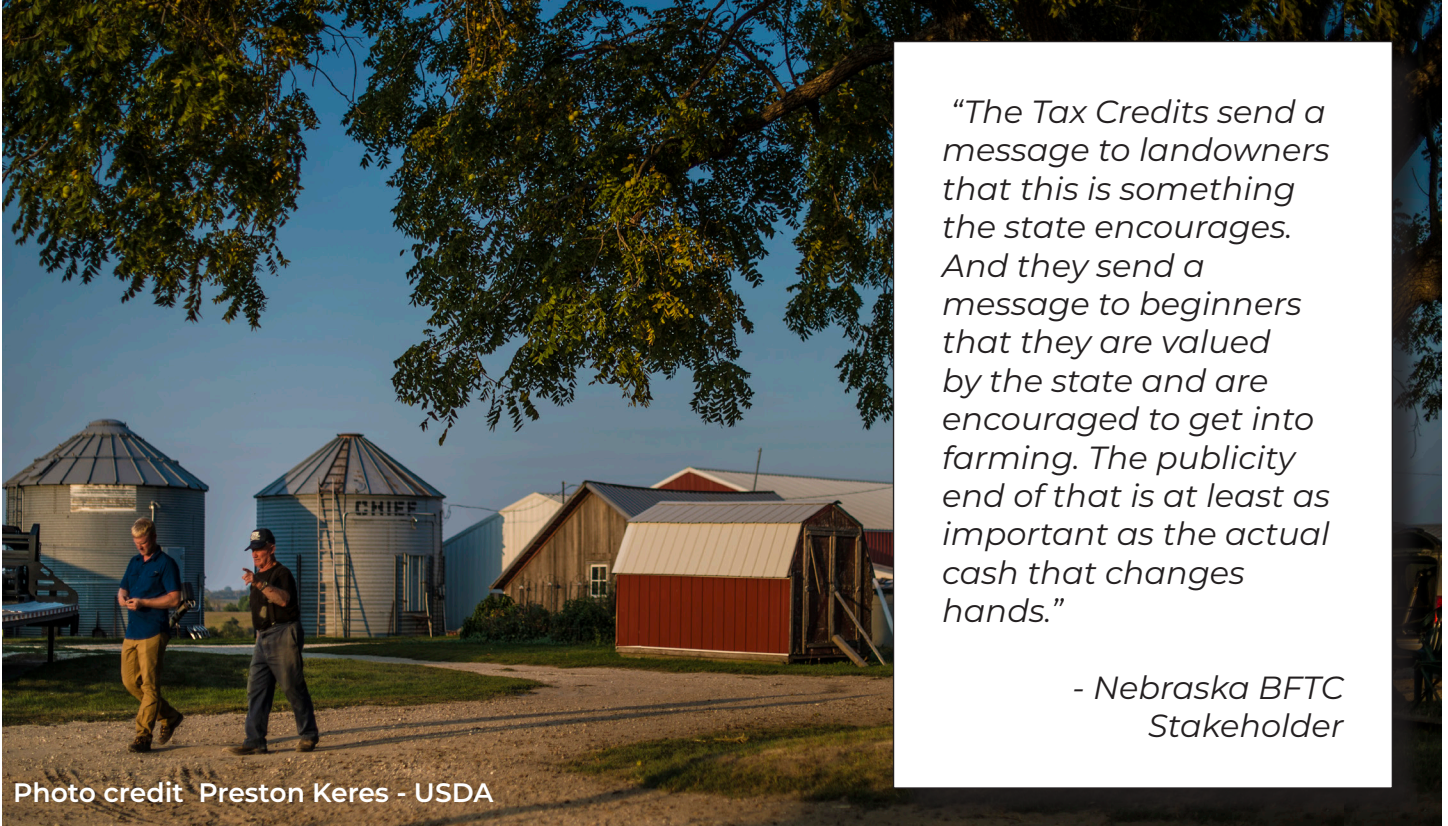


Policy Spotlights

How Beginning Farmer Tax Credits Support Land Access



“The Tax Credits send a message to landowners that this is something the state encourages. And they send a message to beginners that they are valued by the state and are encouraged to get into farming. The publicity end of that is at least as important as the actual cash that changes hands.”

- Nebraska BFTC Stakeholder

Photo credit Preston Keres - USDA

Indiana University and American Farmland Trust are exploring the role of state-level LAPIs, or Land Access Policy Incentives. These initiatives are intended to help the next generation of farmers and ranchers access agricultural acreage, a tremendous challenge for many younger, [historically underserved](#), and beginning producers.

In this publication, we share short profiles on beginning farmers from various states who have used a **Beginning Farmer Tax Credit (BFTC)** to access land.

BFTCs are one example of a state-level program that can facilitate the next generation’s entry into agriculture. They can be an effective way for the 42 states that have income taxes to support farmers who are getting their start. At their most basic level, BFTCs provide an incentive for agricultural land owners to sell or lease their land to qualifying beginning farmers, which can help new farmers be more competitive with already-established farmers. BFTCs can also include livestock, equipment, and buildings.

With this kind of tax credit, several states have taken a step to invest in their next generation farmers and ranchers. Much more can and should be done to address and improve land access. But, [our research suggests](#) that efforts like BFTCs do indeed make a difference, as seen in the stories here.



Jonathan Mikkelson, 39, raises food-grade grains on roughly 400 acres in Minnesota. He comes from a multi-generational farm family and, before getting into farming himself, worked in the agricultural community. At 34, he began participating in Minnesota’s beginning farmer tax credit program.

Over time this facilitated Jonathan’s access to land. He was able to purchase 64 acres owned by his parents’ neighbor, which helped him start his farming operation. Jonathan says the program helped inspire a good relationship with the former landowner and “*ensured a fair deal*” for both parties.

At the time, the tax credit was only available if a beginning farmer was buying land from a seller who was not directly related to them. Jonathan felt that this was a disadvantage to the program since purchasing land from a family member is still a difficult and costly process.

Over time, Minnesota has adjusted this piece of its program. As of 2023, the tax credit can be applied to sales agreements between parents and grandparents of farmers as well.

** As of 2024, Minnesota landowners who sell to farmers with “limited land access” can qualify for a 12% tax credit.*



According to survey results, the Minnesota program is leading to a price break on sales and rental agreements for beginning farmers.

About 60 percent of respondents noted these savings.



- Learn more about [Minnesota’s Beginning Farmer Tax Credit](#).
- Read the results of our [Survey of Minnesota’s BFTC participants](#).



Trevor German, 23, farms with his family on 200 acres in northwestern Ohio, 30 miles east of Indiana. They raise corn and soybeans, and Trevor runs an agricultural drone business, where he offers various services to farmers in the area. He graduated from Ohio State University in 2023.

Trevor completed a farm management course while at Ohio State, which made him eligible for the state's new beginning farmer tax credit program. He is actually the first person to complete a transaction through the program, which enabled him to purchase 20 acres of land near his family farm.

Trevor is quick to share that the program was a big help for him.

"The tax credit was actually the reason I was able to get the ground," he said in an interview with Ohio Farm Bureau. "The seller was highly motivated in finding somebody with the tax credit, so it ended up getting me the deal."

Acknowledging the challenges of land access, Trevor said that land around his family's farm doesn't come up for sale very often, and when it does, the costs can be high. Ohio's beginning farmer tax credit helped him take advantage of the opportunity to buy land and better pursue his farming dreams.

66% of farmers who participated in the BFTC survey said yes,

"Participating in the Tax Credit helped my farm operation to succeed."



- Learn more about [Ohio's Beginning Farmer Tax Credit](#).
- [Read](#) about Trevor's use of the program in Our Ohio magazine.
- [Watch](#) Trevor explain how the BFTC helped him purchase farmland.

Michael Murphy began participating in Iowa's BFTC at the age of 26. Now 39, he grows feed-grade grains on about 400 acres in Iowa. He grew up in a farming family, and it's important to him that he maintain his family's land while also building more generational economic security. Michael knows firsthand the challenges facing beginning farmers in his area, especially for people on small and midsized commodity farms.

These challenges are most closely related to competition for land and the extremely high costs of leasing or buying acreage. He is aware that this is even more difficult for young people who didn't grow up in a farming family like he and his brother did.


Michael owns some of the land that he farms, but he also rents a substantial portion. For the acreage immediately around the land he owns, Iowa's beginning farmer tax credit helped "*sweeten the deal*." He was able to secure 5-year cropshare leases with the landowners surrounding him, and he feels like the tax credit and the economic benefits it generated for the landowners was what enabled this lease.

Michael says the tax credit was a huge help to him getting started as a next generation farmer. He advises other young and entering farmers to sign up. Beginning farmers are at such a competitive disadvantage to those who are already established in farming, and compared to other bidders with deep pockets, they need a "*leg up*."

That said, he is frustrated that recent Iowa tax code changes have effectively nullified the program by exempting landowners who are 55 years old or older from paying any taxes on rental income.

** Other young farmers have noted the challenges that stem from these changes.

The Tax Credit's leaders at the Iowa Finance Authority are figuring out how to adapt the program to the new tax law, so it can still pursue land access to Iowa's beginning farmers.



Close to half of surveyed beginning farmers in Iowa who used this program said that, without the BFTC, they would have needed to compromise more on either land or equipment, indicating the program's helpful function.



- [Learn more about Iowa's Beginning Farmer Tax Credit.](#)
- [Read the results of our Survey of Iowa's BFTC participants.](#)



Alec Amundson first joined Iowa's BFTC at age 27. Now 34, he farms on about 2,500 acres in northern Iowa. In addition to growing feed-grade grains and cover crop seed, Alec and his wife Rachel also raise oats which they sell to Oatly for oatmilk.

Just seven years ago Alec wasn't farming at all. Now he and Rachel have a sizeable and successful operation, one that centers on conservation. The beginning farmer tax credit has certainly helped them get their start. Through the program they have pieced together multiple leases with family and neighbors, using both cash rent and share rent models. (*Iowa's program does allow leases with family members.)

Explaining how the tax credit helped save them money on rent while still compensating the landowner, Alec said,

"This has allowed more access to land based on the price issue. The landlord we worked with, he could've probably gotten more money from a different operation, had we not been able to give him the 5% tax credit back at the end of the year."

Alec is a first-generation farmer who is open to trying new things and testing new ideas. He and Rachel have implemented various conservation practices, from intercropping and cover cropping to minimizing tillage and rotating crops. They participated in [Practical Farmer of Iowa \(PFI\) - Beginning Farmer Program](#) which was helpful for diversifying their practices and sourcing additional funding.

When asked if he would use the program again, Alec said yes.

"It's fairly easy to do the application. They've got good people in there. They're willing to work with people who are also willing to put in the work."

Reflecting on his past, present, and future, Alec said, *"I farm because I love watching something grow from a little seed. It's rewarding to raise something up like that. It's rewarding to see how you can start with bare ground and a little bit of rain and sunshine and have a crop to harvest. It's a way to feel connected to the earth."*



More than half of surveyed landowners who participated in Iowa's program say that they have given a price break to beginning farmers and ranchers who used the BFTC.

These price breaks can immediately improve a beginning farmer's economic viability.

Tyler Bankson, 32, farms on about 3,000 acres in central Nebraska. A multi-generational farmer, he primarily grows feed-grade grains. Tyler rents more than 90 percent of the land that he farms.

Leasing a lot of land can be stressful because it is uncertain especially with typical annual hand-shake agreements. Multiple leases also involve various landowners, who may have different practices and values. Ensuring they are happy with land management adds to time and costs. Nebraska's NextGen Beginning Farmer program requires at least a 3-year lease, which is a unique component among BFTC's. The 3-year minimum allows incoming farmers to make longer-term plans and investments in the land they are farming.

Saving money on rent has allowed Tyler to try out direct markets with some of his grains. In recent years, he has started implementing more regenerative practices, like low-till cultivation and cover crops. The incorporation of conservation practices was driven by two factors. First, these practices have helped protect against rising input costs by increasing soil health. Second, they have helped keep topsoil in place, especially in dry times. Tyler watched soil blow away during recent droughts and wanted to address that problem head-on. Surrounded by larger farms and feedlots, he is finding economic success with his farming model.



According to a survey of beginning farmers who have used a tax credit, the majority of participants connected with a new landlord when using the program, which indicates that it has helped spark new land access arrangements.

Nebraska also requires participating landowners to prepare and submit a succession plan. Another unique program piece, this ensures the number of aging farmers who are looking to lease land are considering the next generation and what will happen to their land when they retire or pass away.

While there is a fair amount of initial upfront paperwork to qualify for the tax credit, Tyler ultimately found that the program is seamless to use. The tax credit has generated some financial benefits for him and his farm. As someone who has long been involved in the agricultural community, he is grateful for any support that helps address the land access challenges he and other young farmers face.

- Learn more about [Nebraska's Next Gen Program](#).
- Read the results of our [Survey of Nebraska BFTC participants](#).

Zach Heibert, 34, raises feeder cattle in south central Kentucky. He and his brother carry on a legacy of farming from their parents. Zach has always been passionate about agriculture, and, in 2021, the Kentucky Selling Farmer Tax Credit helped him make his dream of owning land a reality.

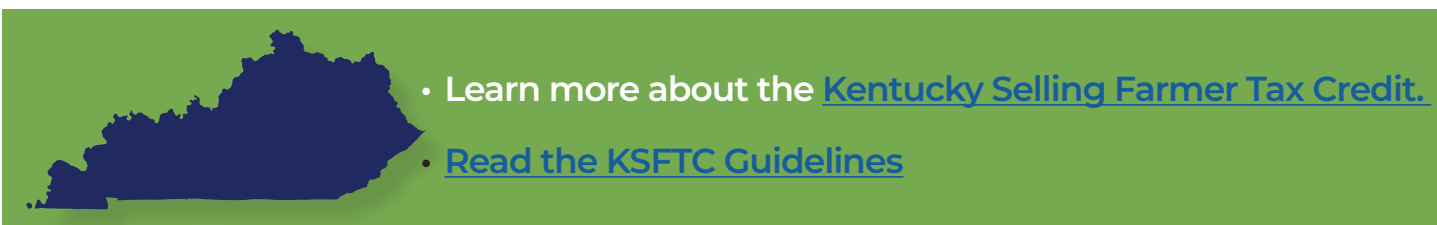
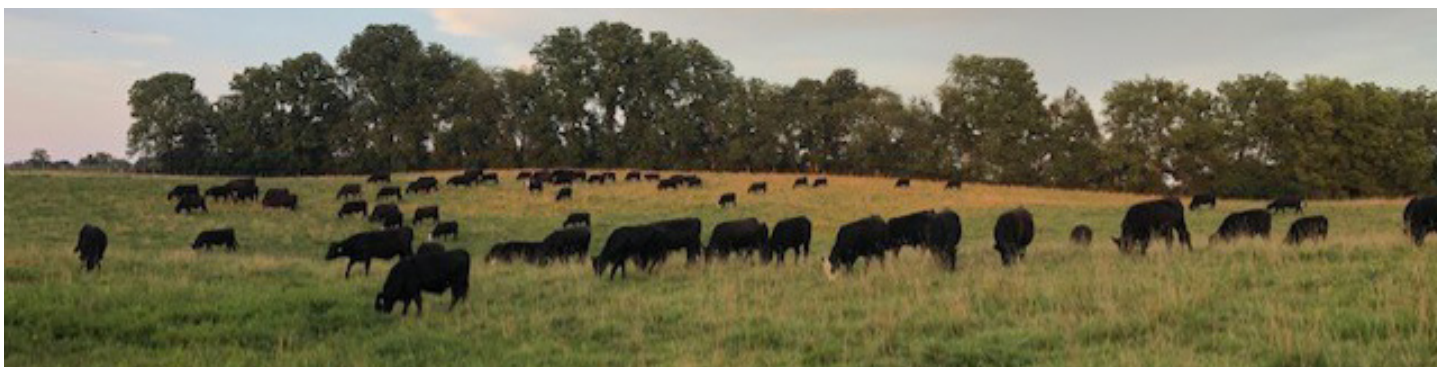
As is often the case, there were many discouraging days searching for land. At times, Zach felt like he would never find a farm of his own. One day, though, Zach was speaking with a farmer he had known for quite some time. In fact, she was his 4-H agent when Zach was young. She mentioned that she and her husband were interested in selling their land, which covered about 130 acres. She asked for Zach's help spreading the word to interested farmers. Without hesitation, he said, *"You're looking at someone who is very interested!"*

The aging couple wanted to sell the land to someone who would continue to farm it rather than develop it for non-agricultural uses, a frequent occurrence given the growth in their area.

After showing the land to Zach, his wife, and his brother, the older couple felt confident and comfortable starting the sale process. Zach, who was 30 at the time, financed the purchase with a [Beginning Farmer Loan](#) from the Farm Service Agency, and the FSA brought the [Selling Farmer Tax Credit](#) to Zach's attention.

After closing, Zach and the selling landowners applied for the Selling Farmer Tax Credit. This credit allowed the landowners to sell for a reasonable price to Zach, who was purchasing farmland for the first time, while also securing a tax benefit that made the transaction more financially beneficial. Now, Zach is fulfilling the landowners' wishes that the land remains in farming and, more specifically, cattle production, rather than transitioning to corn and soybean cropping like much of the farmland in the area.

Zach is grateful for this opportunity to purchase land and continue farming alongside his family members. There are challenges, of course. But ultimately, Zach is thrilled to be living his farming dream, thanks in part to programs that support young and beginning farmers like him



- Learn more about the [Kentucky Selling Farmer Tax Credit](#).
- [Read the KSFTC Guidelines](#)



These profiles of young farmers in Iowa, Kentucky, Minnesota, Nebraska, and Ohio show how Beginning Farmer Tax Credits (BFTCs) can help support the next generation of producers. These programs aren't perfect, and alone, they won't solve the mammoth challenge of land access. But they are making a difference and are a worthy investment.

Leaders in the 42 states that collect income taxes should consider creating their own versions of BFTCs. They can learn from the programs already active in other locations. Most importantly, they can listen to the young, beginning, and underserved farmers in their respective states. By better understanding the challenges facing these new and aspiring producers, state leaders can design solutions to ensure that we can support the people who will grow food, fuel, and fiber for years to come.

Photo courtesy of Jonathan Mikkelson