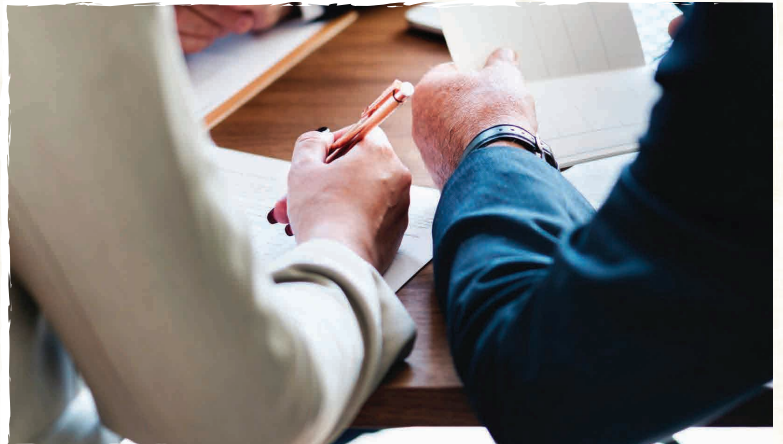


TALKING WITH YOUR LANDLORD:

FINANCIAL AND TAX CONSIDERATIONS FOR YOUR FARMING OPERATION

There are many landowners looking for young, innovative farmers who are promoting a sound conservation ethic as they look at the future care of their land. Gaining conservation, communication and financial skills will help Emerging Farmers stand out in the community and create a competitive advantage for building relationships with future landlords. This publication series lays the initial roadmap to help develop those skills and provide resources for continued growth.



DETERMINE THE STRUCTURE OF YOUR BUSINESS

Consult with a tax and accounting attorney to determine which structure will work best for your operation. He or she will be able to guide you in balancing financial and liability goals.

Sole Proprietor —

Simplest form of operation as it requires no legal documents to exist. All income and expenses are taxed to the owner and all net income of the business is subject to self-employment tax.

Corporation —

A corporation is an entity created under state law and is recognized as separate from its owners through filing articles of incorporation with the Secretary of State. Corporations can have one or multiple owners. Restrictions may vary depending on the type of corporation formed. Liability is limited to whatever the shareholders have invested in the business, not their personal assets. As tax codes are subject to change, it is important to discuss current tax advantages to setting up a corporation and any tax liabilities created if the corporation is dissolved.

Partnership —

A partnership is an association of two or more people to carry on a business for profit. Partnerships may operate under a written agreement, but it is not required. Similar to sole proprietors, the partners share management responsibility and have equal say in the operation. A partnership requires a separate tax return (Form 1065), but passes all income and deductions to the individual partners resulting in self-employment tax like a sole proprietor.

Limited Liability Company (LLC) —

Like a corporation, liability is limited for all members based on their investment in the company. It is formed by filing a certificate of organization with the Secretary of State and executing an operating agreement among the members. The members may range from a single member who is both owner and manager of day-to-day operations, to multiple members where management and ownership may be separate.

FINANCIAL ASSISTANCE RESOURCES FOR EMERGING FARMERS

IOWA FINANCE AUTHORITY

<http://iowafinanceauthority.gov/IADD/>

Agricultural Development Division

The Beginning Farmer Loan Program and Loan Participation Program help Iowa farmers purchase agricultural land, depreciable machinery or equipment, breeding livestock or buildings. The loans may also be used to improve existing buildings or farmland. These programs may be used independently or in conjunction with one another. Both loan programs can only be used for new purchases and neither program can be used to refinance existing debt.

Beginning Farmer Tax Credit Program

Designed to help young farmers obtain leases of property by providing a tax credit to any landlord who leases property to a beginning farmer.

DNR Lease to Beginning Farmer Program

The Iowa Legislature created the DNR Lease to Beginning Farmer Program as a way to provide leasing opportunities to beginning farmers. This program is offered and administered by the Iowa Department of Natural Resources.

UNITED STATES DEPARTMENT OF AGRICULTURE-FARM SERVICE AGENCY

<https://www.fsa.usda.gov/programs-and-services/farm-loan-programs/beginning-farmers-and-ranchers-loans/index>

Beginning Farmers and Ranchers Loans

Young farmers and ranchers are supported through FSA's Beginning Farmer direct and guaranteed loan programs. Farm Ownership loans can provide access to land and capital. Operating loans can assist beginning farmers by helping to pay normal operating or family living expenses, open doors to new markets and marketing opportunities, assist with diversifying operations, and more.

LOCAL AND NATIONAL LENDING INSTITUTIONS

Check with your preferred lending institution to see if they offer financial assistance opportunities for Emerging Farmers.



WWW.IOWALEARNINGFARMS.ORG

Iowa Learning Farms is funded by the Iowa Department of Agriculture and Land Stewardship through the Integrated Farm and Livestock Management Demonstration Program, in collaboration with Iowa Department of Natural Resources (USEPA Section 319), Natural Resources Conservation Service, Conservation Districts of Iowa, Iowa State University Extension and Outreach, Leopold Center for Sustainable Agriculture, Iowa Farm Bureau Federation and Iowa Water Center. The Emerging Farmers project is funded by Natural Resources Conservation Service and Iowa Department of Agriculture and Land Stewardship