

**MISSOURI AGRICULTURAL AND SMALL BUSINESS
DEVELOPMENT AUTHORITY**

**SPECIALTY AGRICULTURAL CROPS
LOAN PROGRAM**

Guidelines and Procedures
Section 1

Legal Authorization: Chapter 348.491 RSMo (2022) “SPECIALTY AGRICULTURAL CROPS ACT.”

A. PURPOSE OF THE PROGRAM

Purpose: To provide Missouri tax credits to lenders who make specialty crop loans to “family farmers.”

B. DEFINITIONS

1. **“Family Farmer”** A farmer who is a Missouri resident and who has less than \$100,000 in agricultural sales per year.
2. **“Lender”** any state or national bank, federal land bank, production credit association, bank for cooperatives, federal or state-chartered savings and loan association or building and loan association or small business investment company that is subject to credit examination by an agency of the state or federal government, or any other lending institution approved by the insurer or guarantor of an agricultural development loan, small business development loan, or small business pollution control facility loan which undertakes to make or service such a loan;
3. **“Specialty Crop”** fruits and vegetables, tree nuts, dried fruits, and horticulture and nursery crops including, but not limited to, floriculture. A list of [eligible crops](#) can be found at [masbda.com](#). “Specialty crop” shall not include industrial hemp, medical marijuana, or recreational marijuana.
3. **“Eligible loan”** Purchase of farming resources such as specialty crop seeds, seedlings, or trees; soil amendments including compost; irrigation equipment; fencing, row covers; trellising; season extension equipment; refrigeration equipment; and equipment for planting and harvesting. Loans for operating expenses such as salaries, mortgage, utilities, etc. are not eligible.

C. LIMITATIONS ON SPECIALTY AGRICULTURAL CROP LOAN

“Maximum eligible loan”: Loan cannot exceed 90% of the cost of purchasing specialty crops farming resources, or \$35,000, whichever is less.

Each family farmer shall be eligible for only one specialty agricultural crops loan per family (same physical residence address).

Eligible borrowers:

shall use the proceeds of the specialty agricultural crops loan to acquire farming resources described above.

Shall not finance more than ninety percent (90%) of the anticipated cost of the purchase of such farming resources through the specialty agricultural crops loan, and

Shall not be charged interest by the lender for the first year of the qualified specialty agricultural crops loan.

For eligible borrowers participating in the program, the authority shall be responsible for reviewing the purchase price of any farming resources to be purchased by an eligible borrower under the program to determine whether the price to be paid is appropriate for the type of farming resources purchased.

NOTE: The maximum amount of tax credits that may be issued to all eligible lenders in any fiscal year cannot exceed \$300,000.

D. APPROVAL PROCESS

1. To participate in the loan program, a family farmer shall first obtain approval for a specialty agricultural crops loan from an eligible lender. The family farmer shall not be charged interest by the lender for the first year of the qualified specialty crop loan.
2. The tax credit application must be received within 60 days of the date of the specialty agricultural crops promissory note.
3. Upon approval of the specialty crop loan by a lender the application shall be submitted to the Missouri Agricultural and Small Business Development Authority (MASBDA) for review and approval. MASBDA's approval process shall take into consideration:
 - a. The family farmer's ability to repay the specialty agricultural crops loan;
 - b. The general economic conditions of the area in which the farm is located;
 - c. The prospect of a financial return for the family farmer for the type of farming resource for which the specialty agricultural crops loan is sought; and
 - d. Such other factors as the authority may establish.

The following documents must be submitted:

- a. MISSOURI FORM S
- b. Lender's completed loan application, promissory note, amortization schedule, and security filings.
- c. Family farmer's current financials (cannot be more than 6 months old)
- d. Projected global cash flow, post loan closing.
- e. List of the farming resources purchased and the cost for each.
- f. Non-refundable review fee = 1.0% of the specialty agricultural crops loan amount.

4. The family farmer must be able to provide proof of citizenship, identity, and residence and complete the Certification of Citizenship/Immigration Status and Employer Status.

If the anticipated tax credit will be \$5,000.000 or more and the family farmer has employees in connection with the specialty agricultural crops project, he/she must also provide proof of enrollment and participation in the federal work authorization program.

E. ISSUANCE OF THE TAX CREDITS

1. **Tax Credits:** Lenders shall be entitled to receive a tax credit from the Missouri Agricultural and Small Business Development Authority (MASBDA) in lieu of the first year interest being paid by a “family farmer” on qualifying loans. The approved tax credit will be up to 100% of the approved first year’s interest waived on a qualified eligible loan.
2. MASBDA will issue the tax credit certificate after:
 1. Receiving a certification from the lender of the actual interest waived after the first year of the eligible loan. The interest due certification must be received no later than 30 days after the first year anniversary of the loan.
 2. Receiving a certification from the family farmer of the specialty crop sales resulting from the farming resources purchased from proceeds of the Specialty Agricultural Crops loan.

F. USAGE OF TAX CREDITS

1. **Tax liability:** “State tax liability” is any state tax liability incurred by a taxpayer under the provisions of chapter 143, 147, or 148, exclusive of the provisions relating to the withholding of tax as provided for in sections 143.191 to 143.265 and related provisions.
2. **Transferability:** The tax credits may be assigned, transferred, or sold by submitting the Form TT with the \$50 transfer fee. The new owner of the tax credit shall have the same rights to the tax credit as the lender had.
3. **Claiming tax credits:** The tax credits claimed in a taxable year may be claimed on a quarterly basis and applied to the estimated quarterly tax of the lender.
4. **Carry forward:** Any amount of tax credit which exceeds the tax due including any estimated quarterly taxes paid by the lender which results in an overpayment of taxes for a tax year, shall not be refunded but may be carried over to any subsequent taxable year, not to exceed a total of three years.

Any commercial bank may use tax credits as provided in section 148.064 RSMo and receive a net tax credit against taxes actually paid. If the tax credits reduce taxes due to zero, any remaining tax credits may be carried over to subsequent years.

5. **Revocation or Repayment of Tax Credits:** The Authority may recapture, in full or part, the value of any credits issued if: (1) any representation made by the eligible lender proves to have been false when made or (2) any representation made by the “family farmer” proves to have been false when made.

Liability for repayment or recoupment of tax credits for any misrepresentation remains with the original owner.

G. RECORDS, AUDIT, & ACCOUNTABILITY

1. **The Authority is authorized by Section 348.181 RSMo, to keep the following closed to the public:**
 - a. Records and documents submitted which relate to financial investments in a business, or sales projections or processes or other business plan information which may endanger the competitiveness of a business, and
 - b. Records and documents submitted related to financial assistance that is awarded by the Authority except for the amount and recipient of any loan or grant from a program administered by the authority.
2. **Audit:** The Authority reserves the right to audit approved loans to ensure compliance with program requirements for a period of seven years from the date of the loan.
3. **Records maintenance:** The eligible lender must retain all documentation related to the loan program for at least seven years from the date of the issuance of the tax credit.
4. **Farm visit:** The “family farmer” must allow MASBDA staff to inspect the farming resources purchased for up to two years after the date of MASBDA loan approval.
5. **Tax Credit Accountability Act:** A recipient of an agricultural tax credit shall annually, for a period of three years following issuance of tax credits, provide to the Missouri Agricultural and Small Business Development Authority information confirming:
 - a. type of agricultural commodity,
 - b. amount of investment,
 - c. description of farming resource purchased, and
 - d. name and description of the project
 - e. actual number of permanent full-time, permanent part-time, and seasonal part-time for each month of the preceding twelve (12) month period.

The reporting requirements established in this section shall be due annually on June 30th of each year. No person or entity shall be required to make an annual report until at least one year after the credit issuance date.

After credits have been issued, any failure to meet the annual reporting requirements established in section 135.805 or any determination of fraud in the application process shall result in penalties as follows:

- (1) Failure to report for more than six months but less than one year shall result in a penalty equal to two percent of the value of the credits issued for each month of delinquency during such time period;
- (2) Failure to report for more than one year shall result in a penalty equal to ten percent of the value of the credits issued for each month of delinquency during such time period up to one hundred percent of the value of the credit issued is assessed by way of penalty;

(3) Fraud in the application process shall result in a penalty equal to one hundred percent of the credits issued. No taxpayer shall be deemed to have committed fraud in the application process for any credit unless such conclusion has been reached by a court of competent jurisdiction or the administrative hearing commission.

Penalties shall remain the liability of the person or entity obligated to complete the annual reporting, without regard to any transfer of the credits.

H. SUBMISSION OF INFORMATION

Submit the above information to:

Missouri Agricultural and Small Business Development Authority
Specialty Agricultural Crops Loan Program
P.O. Box 630
1616 Missouri Blvd.
Jefferson City, MO 65102-0630

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