

**MISSOURI AGRICULTURAL AND SMALL BUSINESS
DEVELOPMENT AUTHORITY**

**FAMILY FARM BREEDING LIVESTOCK LOAN
PROGRAM**

Guidelines and Procedures
Section 1

Legal Authorization: Chapter 348.500 RSMo (2022) "FAMILY FARMS ACT."

A. PURPOSE OF THE PROGRAM

Purpose: To provide Missouri tax credits to lenders who make breeding livestock loans to "small farmers".

B. ELIGIBILITY QUALIFICATIONS

1. **"Small Farmer"**: A farmer who is a Missouri resident and who has less than \$500,000 in gross agricultural product sales per year.
2. **"Lender"**: Any state or national bank, farm credit system, bank for cooperatives, federal or state chartered savings and loan association, federal or state building and loan association, or small business investment company all of which must be subject to credit examination by an agency of the state or federal government.
3. **"Eligible loan"**: Purchase of beef cattle, dairy cattle, sheep, goats, and swine. Only breeding livestock qualify.

C. LIMITATIONS ON FAMILY FARM BREEDING LIVESTOCK LOAN

"Maximum eligible loan": Loan cannot exceed 90% of the cost of purchasing breeding livestock. The maximum amount of loan for each type of livestock is:

- a. Beef cattle - \$150,000
- b. Dairy cattle - \$150,000
- c. Sheep - \$60,000
- d. Goats - \$60,000
- e. Swine - \$70,000

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 small farmer shall first obtain approval for a family farm livestock loan from an eligible lender. The small farmer shall not be charged interest by the lender for the first year of the qualified family farm livestock loan.
2. Upon approval of the family farm livestock loan by a lender the loan shall be submitted for approval by the Missouri Agricultural and Small Business Development Authority (MASBDA).

***The tax credit application must be received within 60 days of the date of the note.**

MASBDA's approval process shall take into consideration:

- a. The small farmer's ability to repay the family farm livestock loan.
- b. The purchase price of the livestock must be appropriate for the type and quality of livestock purchased.
- c. The general economic conditions of the area in which the small farmer is located.
- d. The prospect of a financial return for the small farmer.
- e. Such other factors as the authority may establish based on individual loans characteristics.

The following documents must be submitted:

- a. MISSOURI FORM F
- b. Lender's completed loan application, promissory note, amortization schedule, and security filings.
- c. Small farmer's current financials (cannot be more than 6 months old)
- d. Projected cash flow, post loan closing.
- e. Description of livestock purchased and the purchase price.
- f. Non-refundable review fee = 1.0% of the family farm breeding livestock loan amount.

3. The small farmer must complete and submit both the Certification of Citizenship and Affidavit of Authorized workers.

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 "small farmer" on qualifying loans. The tax credit is equal to 100% of the first year's interest waived on a qualified eligible loan.
2. **Issuance:** The Authority will issue the tax credit certificate after 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.

F. USAGE OF TAX CREDITS

1. **Tax liability:** “State tax liability” is any state tax liability incurred pursuant to Chapters 143, Chapters 147, and Chapters 148 RSMo, exclusive of the provisions relating to the withholding of tax as provided for in section 143.191 to 143.265 RSMo and related provisions.
2. **Transferability:** The tax credits may be assigned, transferred, or sold by submitting the Form FT 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 taxable 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 “small 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 “small farmer” must allow MASBDA staff to inspect the livestock purchased.
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. type of equipment purchased, and
 - d. name and description of the facility
 - 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
Family Farm Livestock Loan Program
P.O. Box 630
Jefferson City, MO 65102-0630

Telephone: (573) 751-2129
Fax: (573) 522-2416
E-mail: masbda@mda.mo.gov