

**MISSOURI AGRICULTURAL AND SMALL BUSINESS
DEVELOPMENT AUTHORITY**

**URBAN FARM INVESTMENT
TAX CREDIT PROGRAM**

Guidelines and Procedures
Section 1

Legal Authorization: Chapter 135.1610 1.-135.1610 8 RSMo (2022)

A. PURPOSE OF THE PROGRAM

Purpose: The Missouri Agricultural and Small Business Development Authority (Authority) issues Missouri tax credits based on eligible expenses incurred in the establishment or improvement of an urban farm which focuses solely on food production for sale or donation to the public.

B. DEFINITIONS

1. **"Eligible Expenses"** expenses incurred after January 1, 2023 in the construction or development of establishing or improving an urban farm in an urban area. Eligible expenses may include, seeds, seedlings, or trees; soil amendments including compost; irrigation equipment; fencing, row covers; trellising; season extension equipment; tool/equipment storage sheds; processing/packing facilities or equipment; and equipment for planting and harvesting. Refrigeration/cooling equipment for produce storage may be considered eligible if it is a permanent fixture.
2. **"Ineligible Expenses"** labor, or any expense associated incurred to grow medical marijuana, recreational marijuana, or industrial hemp, is not eligible. The purchase, or lease, of land for an urban farm is not an eligible expense. Operating expenses such as salaries, mortgage, lease payments, utilities, etc. are not eligible.
3. **"Tax credit"** a credit against the tax otherwise due under chapter 143, excluding withholding tax imposed under sections 143.191 to 143.265.
4. **"Taxpayer"** any individual, partnership, or corporation as described under section 143.441 or 143.471 that is subject to the tax imposed under chapter 143, excluding withholding tax imposed under sections 143.191 to 143.265, or any charitable organization that is exempt from federal income tax and whose Missouri unrelated business taxable income, if any, would be subject to the state income tax imposed under chapter 143.
5. **"Urban Area"** as defined by the U.S. Census Bureau, a densely settled core of census blocks with at least 2,000 housing units or a population of at least 5,000.

6. **“Urban Farm”** an agricultural plot or facility, including a community-run garden, in an urban area that produces agricultural food products used solely (exclusive of any other use) for distribution to the public by sale or donation. Distinct urban farms will be identified by physical location and ownership entity. Personal farms or residential lots for personal use are not considered “urban farms.”

C. LIMITATIONS ON URBAN FARM INVESTMENT TAX CREDIT

For all tax years beginning on or after January 1, 2023, a taxpayer shall be allowed to claim a tax credit against the taxpayer's state tax liability in an amount equal to fifty percent (50%) of the taxpayer's eligible expenses for establishing or improving an urban farm that focuses on food production.

The taxpayer shall not be allowed to claim a tax credit in excess of \$5,000.00 for each urban farm. Monetary donations made by a taxpayer to an urban farm may qualify for a tax credit if accompanied by documentation and a certification by the urban farm confirming receipt of the donation and that the donation was used for eligible expenses.

The total amount of tax credits that may be authorized for all taxpayers for eligible expenses incurred on any given urban farm shall not exceed \$25,000.00.

Construction or expansion expenses paid for or reimbursed by state or federal funds are not considered eligible expenses for the Urban Farm Investment Tax Credit.

Items purchased by the urban farm with donated funds are not eligible if the donor receives a tax credit through this program.

NOTE: The maximum amount of tax credits that may be issued in any calendar year shall not exceed \$200,000.

D. ELIGIBILITY QUALIFICATIONS

1. An Urban Farm which incurs eligible expenses related to establishing or improving an urban farm that occur on or after January 1, 2023 through December 31, 2028;
2. A Taxpayer who makes a monetary donation to an urban farm to be used on eligible expenses on or after January 1, 2023 through December 31, 2028.
3. Pursuant to 285.530 RSMo, all applicants are required to provide proof of citizenship, identity, and residency at the time of applying for any state administered benefits.

E. APPLICATION and ISSUANCE PROCESS

1. Taxpayers may submit the Urban Farm Investment Tax Credit Application to the Authority on a continuous basis and the application will be processed on an as received basis until the calendar year limit is reached.

All tax credit applications for calendar year 2023 must be submitted no later than November 1, 2024. Tax credits will be issued for the tax year in which the expenses incurred.

2. The taxpayer shall submit the following with the completed application:

- a) A non-refundable application fee of \$100.00, which is required at the time of submission to the Authority.
- b) Documentation of completed expenses; which shall include paid invoices and cancelled checks/proof of payment by calendar year.

3. Upon receipt of the application, the Authority will:

- a) Review the application for completeness and accuracy.
- b) If the Authority has any questions, concerns, and/or needs additional documentation, they will contact the applicant, and may also contact the urban farm owner/operator for verification.
- c) Once the review process is complete, the application will be submitted to the Authority for approval at the monthly board meeting.
- d) Following the monthly board meeting, the Authority will notify the tax credit applicant in writing that the application was approved or denied.
- e) If the application is approved, the Authority will calculate the appropriate application issuance fee of 3% (\$50 minimum) of the approved tax credit amount. This fee is required to be paid by the tax credit applicant and received by the Authority prior to the issuance of the tax credit.

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, excluding withholding tax imposed under sections 143.191 to 143.265.
2. **Transferability:** Tax credits shall not be transferred, sold, or assigned.
3. **Claiming tax credits:** The amount of the tax credit claimed shall not exceed the amount of the taxpayer's state tax liability in the tax year for which the credit is claimed.
4. **Carry forward:** Any issued tax credit that cannot be claimed in the tax year in which the eligible expenses were incurred may be carried over to the next three succeeding tax years until the full credit is claimed.
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 “Taxpayer” proves

to have been false when made, (2) any representation made by the “Urban Farm” proves to have been false when made, or (3) the taxpayer uses the urban farm for personal benefit instead of producing agricultural food products used solely for distribution to the public by sale or donation.

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

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 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 tax credit applicants to ensure compliance with program requirements for a period of seven years from the date of approval.
3. **Records maintenance:** The taxpayer must retain all documentation related to the tax credit program for at least seven years from the date of the issuance of the tax credit.
4. **Farm visit:** The urban farm must allow Authority staff to inspect the farming resources purchased for up to two years after the date of the Authority’s approval.
5. **Ownership of Resources Purchased:** The urban farm must retain ownership of the farming resources for a minimum of two years.
6. **Annual Reporting and Certification:** The urban farm 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.
 - f. The agricultural food products produced at this urban farm are used solely for distribution to the public by sale or donation
 - g. The urban farm has retained ownership of the farming resources purchased.

The reporting requirements established in this section shall be due annually on June 30th of each year. No urban farm shall be required to make an annual report until at least one year after the first (if there are multiple) tax 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.

H. SUBMISSION OF INFORMATION

Submit the application form and supporting documentation to:

Missouri Agricultural and Small Business Development Authority
Urban Farm Investment Tax Credit Program
P.O. Box 630
1616 Missouri Blvd.
Jefferson City, MO 65102-0630

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