



New Generation Cooperative Incentive Tax Credit Program

Tax Credit Tool Kit





Missouri Department of Agriculture

New Generation Cooperative Incentive Tax Credit Program

Purpose
Producer-Member
Purchaser
Professionals

Purpose

Producer-Member Tax Credit Holder

Tax Credit Purchaser

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Missouri Department of Agriculture
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Description

The Missouri Agricultural and Small Business Development Authority provides New Generation Cooperative Incentive Tax Credits to induce producer-member investment into new generation processing entities, that will process Missouri agricultural commodities and agricultural products into value-added goods, provide substantial benefit to Missouri's agricultural producers, and result in the creation of jobs for Missourians.

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How Does the Program Work?

Prior to issuing any tax credits, the new generation processing entities must be organized, file an Application for Requesting Certification of New Generation Cooperative Incentive Tax Credits, and be approved by the Authority. After investment, producer-members then file a Member Application for Requesting New Generation Cooperative Incentive Tax Credits.

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Who is Eligible?

New generation processing entities organized as either:

- Partnerships,
- Corporations,
- Cooperatives, or
- Limited Liability Companies (all of which must be)
 1. Organized or incorporated pursuant to the laws of Missouri,
 2. Consisting of not less than 12 members,
 3. Approved by the Authority, and
 4. For the purpose of owning or operating within this state
 - a. A development facility, or
 - b. Renewable fuel production facility in which producer-members:
 - Hold a majority of the governance or voting rights of the entity and any governing committee;
 - Control the hiring and firing of management; and
 - Deliver agricultural commodities to the entity for processing, unless processing is required by multiple entities.
 5. Must be operational within 24 months from the date tax credits are issued.

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Who is Eligible?

“Development Facility” is defined as a “facility producing either a good derived from an agricultural commodity or using a process to produce a good derived from an agricultural product”.

“Renewable Fuel Production Facility” is defined as a “facility producing an energy source that is derived from a renewable, domestically grown, organic compound capable of powering machinery, including an engine or power plant, and any by-products derived from such energy source”.

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Who is Eligible?

CONTINUED: New generation processing entities:

Tax Credit Eligibility:

Eligible Producer-Members = A person, partnership, corporation, trust or limited liability company **whose main purpose is agricultural production** that invests cash funds or marketable securities to an eligible new generation cooperative or eligible new generation processing entity, as defined herein, is eligible for a tax credit.

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A producer member must:

- Bear the risk of production for agricultural products,
- Bear the risk of price change with respect to production, and
- Have a level of involvement in management sufficient to establish material participation.

Material participation is defined as: A producer member shall materially participate only if the producer is involved in the agricultural production operation on a basis which is:

- Regular,
- Continuous, and
- Substantial

*Generally, a person who receives a fixed rental or other fixed compensation (without reference to production) is **not** a producer.*

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Please Note:

The Internal Revenue Service defines a producer as a person who, as owner or tenant, bears the risk of production and receives income based on farm production rather than fixed compensation. IRS further distinguishes between active and passive at-risk management. A person not actively engaged in the agricultural production management decision-making process would not be considered a producer.

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The amount of a tax credit issued to a member shall be the lesser of 50% of the member's cash investment or \$15,000, except for any pro-ration of the member's tax credits.

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If members' investment in a new generation "Large Capital Project" processing entity would be eligible for tax credits in excess of the project's allocation (maximum allocation per project is \$1.5 million) or "Employee Qualified Capital Project" (maximum allocation per project is \$3.0 million), tax credits will be pro-rated between producer-members on a percent of investment basis, not to exceed the maximum allowed per producer-member.

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New generation processing entity producer-members must submit a \$25.00 processing fee with each application submitted.

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Tax credits may be used by their owner to offset eligible tax liabilities due against taxes owed pursuant to Chapters 143 (income tax except for sections 143.191 to 143.265), 147 (corporation franchise tax), and 148 (financial institution taxes), RSMo. Credits may be claimed on a quarterly basis and may be carried back to satisfy the three previous taxable years and may be carried forward to any of the subsequent five taxable years after the investment is made.

Missouri law requires a claim for refund of corporation franchise tax or the tax on financial institutions imposed by chapter 148, RSMo, to be filed within two years from the time the tax was paid.

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Application Information

For application information or to obtain an application, contact:

Producer-Member

Missouri Agricultural and Small Business Development Authority

Purchaser

Professionals

P.O. Box 630
 Jefferson City, MO 65102-0630
 Phone: (573) 751-2129
 Fax: (573) 522-2416
 E-mail: masbda@mda.mo.gov

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