Missouri Department of Agriculture

New Generation Cooperative Incentive Tax Credit Program

Producer-Member Tax Credit Holder

How the Tax Credits are Figured and Issued

How the Tax Credits can be Used on Missouri Income Tax Returns

Ownership of Credits as Compared to Tax Filing Status

When the Tax Credits can be Used, Carry-back and Carry-forward Provisions

Missouri Department of Agriculture

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How the New Generation Cooperative Incentive Tax Credits are Figured and Issued

(Chapter 348.432 RSMo 2002): A producer- member, as defined herein, may receive state tax credits equal to the lesser of 50% of the producer member's cash investment in an eligible new generation processing entity, or $15,000. However, the producer-members related to a "Large Capital Project" may not receive tax credits totaling more than $1,500,000 and the producer-members related to an "Employee Qualified Capital Project" may not receive tax credits totaling more than $3,000,000.

Purpose

Producer-Member

Figured and Issued

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Income Tax Returns

Ownership

When can be Used

Who is Eligible

Fair Market Value

Selling Tax Credits

Revenue/Tax Liabilities

Ownership Transfer

Rights and Liabilities

Purchaser

Professionals

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Example:

Assuming 220 farmers invest $6 million into a New Generation Processing Entity, with investments as follows:

Farmer investment				
100	farmers @	$30,000	each =	$3,000,000
100	farmers @	$18,000	each =	$1,800,000
10	farmers @	$75,000	each =	$ 750,000
10	farmers @	$45,000	each =	$ 450,000
TOTAL farmer investment				$6,000,000

The maximum allowable tax credits amounts are:

Maximum tax credit				
$15,000	x	100	=	$1,500,000
$ 9,000	x	100	=	$ 900,000
$15,000	x	10	=	$ 150,000
$15,000	x	10	=	$ 150,000
				$2,700,000

The actual tax credit amount issued would be $1,500,000 (because of the $1.5 million cap on "Large Capital Projects"):

Actual tax credit
$1,500,000/$2,700,000 = 55.555556%

$15,000	x 55.55556% =	$8,333	x	100	=	$ 833,333
$ 9,000	x 55.55556% =	$5,000	x	100	=	$ 500,000
$15,000	x 55.55556% =	$8,333	x	10	=	$ 83,333
$15,000	x 55.55556% =	$8,333	x	10	=	$ 83,333
TOTAL tax credits						$1,500,000

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New Generation Cooperative Incentive Tax Credit Program

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How the New Generation Cooperative Incentive Tax Credits can be Used on Missouri Income Tax Returns

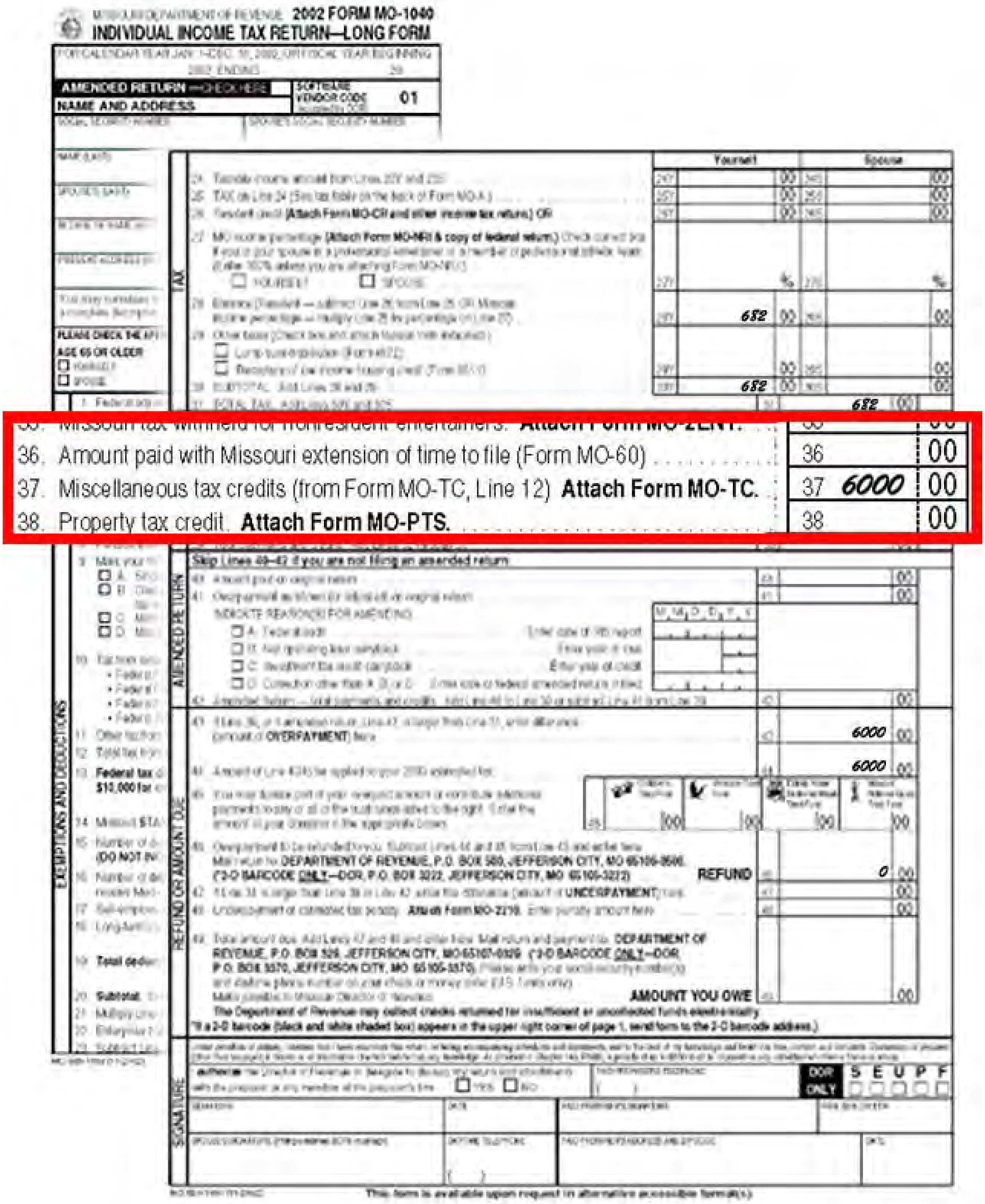
Example

Form MO-TC
Miscellaneous Income Tax Credits

Individual Income Tax (Print Only Forms)

Individual Income Tax (Fill-In Forms That Calculate)

Example



2002 FORM MO-1040
INDIVIDUAL INCOME TAX RETURN—LONG FORM

36. Amount paid with Missouri extension of time to file (Form MO-60) . . . . 36 | 00
37. Miscellaneous tax credits (from Form MO-TC, Line 12) **Attach Form MO-TC.** 37 6000 | 00
38. Property tax credit. **Attach Form MO-PTS.** . . . . 38 | 00

New Generation Cooperative Incentive Tax Credit Program

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Ownership of Credits (joint, individual, partnership, trust, corporation, etc) as Compared to Tax Filing Status

Tax credits are issued in the name of the membership as provided by the new generation processing entity.

Tax Credits will only be issued to memberships with distinct tax identification numbers. Tax credits will not be issued to multiple memberships with the same tax identification number.

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Producer-Member Tax Credit Holder

If a Credit is issued to a member and the member and his or her spouse file a joint federal income tax return and a combined Missouri income tax return, may the spouse use the Credit as well?

Missouri law has no provision for a joint income tax return. A husband and wife who file a joint federal return must file a Missouri combined return. A combined return differs from a joint return in that although only one return is used, each spouse is responsible for his or her own tax liability. A Credit owned by one spouse may not be applied against the tax liability of the other spouse.

For example, suppose Husband's Missouri tax liability, before credits, is $4,000 and Wife's Missouri tax liability, before credits, is $1,000. Suppose, also, that Husband has a credit of $6,000. Husband may apply the Credit against his $4,000 Missouri tax and will have excess credit of $2,000. (Husband may transfer his excess Credit to Wife, if the rules for transferring Credit are followed.)

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Missouri Department of Agriculture

Purpose

Producer-Member
- Figured and Issued
- Income Tax Returns
- Ownership
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- When can be Used
- Who is Eligible
- Fair Market Value
- Selling Tax Credits
- Revenue/Tax Liabilities
- Ownership Transfer
- Rights and Liabilities

Purchaser

Professionals

New Generation Cooperative Incentive Tax Credit Program

Producer-Member Tax Credit Holder

If a credit is issued to both husband and wife (because the husband and wife together made the investment in the new generation processing entity) and they file a Missouri combined return, how is the credit applied?

If a Credit is issued to both Husband and Wife, either spouse may use the Credit.

For example, suppose Husband and Wife together have a Credit of $2,000. On their Missouri combined income tax return, Husband reports a tax liability, before credits, of $1,000 and Wife also reports a tax liability, before credits, of $1,000. Each spouse may apply Credit of $1,000 to that spouse's tax liability. There is no excess Credit. Neither spouse may apply any of the Credit to any other taxable year.

Suppose that Husband and Wife together have a Credit of $2,000 and on their Missouri combined income tax return Husband reports a tax liability, before credits, of $1,000 and Wife reports a tax liability, before credits, of $500. Husband may apply Credit of $1,000 to his tax liability and Wife may apply Credit of $500 to her tax liability. There is excess Credit of $500, which either spouse may carry back or carry forward to other taxable years. In this example $500 is the maximum amount of Credit that may be carried back or carried forward to another taxable year.

Suppose Husband and Wife together have a Credit of $2,000 and on their Missouri combined income tax return Husband reports a tax liability, before credits, of $2,000 and Wife reports a tax liability, before credits, of $1,000. Husband and Wife may apply Credit of $2,000 to their tax liabilities, in any proportion they decide. For example, they may apply the entire $2,000 Credit to Husband's tax liability or they may apply $1,000 Credit to Husband's liability and $1,000 Credit to Wife's liability. There is no excess Credit. Neither spouse may apply any of the Credit to any other taxable year.

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New Generation Cooperative Incentive Tax Credit Program

Producer-Member Tax Credit Holder

When the New Generation Cooperative Incentive Tax Credits can be Used, Carry-back and Carry-forward Provisions

Carry-back and Carry-forward: The tax credits may be used by their owner to offset eligible tax liabilities due. Credits may be claimed on a quarterly basis and may be carried back to satisfy the state tax liability of the owner of the certificate that was due during each of 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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New Generation Cooperative Incentive Tax Credit Program

Producer-Member Tax Credit Holder

How are the three prior taxable years determined and when must amended returns claiming refunds be filed?

For example, if 2003 is the initial taxable year, credit may be carried back to the 2000, 2001 or 2002 taxable years.

For income tax, the 2003 return is due April 15, 2004. Credits may be carried back to the 2000, 2001 or 2002 taxable years. Returns for these periods were due April 16, 2001, April 15, 2002, and April 15, 2003, respectively. Missouri law requires a claim for refund of income tax to be filed within three years from the time the return was filed or two years from the time the tax was paid (whichever date is later). For most taxpayers, an amended return claiming a refund of 2000 income tax must be filed by April 16, 2004 (three years after the 2000 return was filed on April 16, 2001).

For corporation franchise tax or the tax on financial institutions imposed by chapter 148, RSMo, the 2003 return is due April 15, 2003. Credits may be carried back to the 2000, 2001 or 2002 taxable years. Returns for these periods were due April 17, 2000, April 16, 2001, and April 15, 2002, respectively. 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. For most taxpayers, an amended return claiming refund of 2000 franchise tax or 2000 tax on financial institutions must be filed by April 15, 2002 (two years after the 2000 return was filed on April 17, 2000).

Note that most taxpayers will not be able to use a credit received in 2003 to claim a refund for the 2000 taxable year for corporation franchise tax or the tax on financial institutions imposed by chapter 148, RSMo. An example of when such a claim would be allowed is when the taxpayer paid 2000 corporation franchise tax on May 1, 2001, (more than a year after the due date) and claimed a refund on or before May 1, 2003. In that case, the taxpayer would be able to claim a refund for an amount that did not exceed the tax paid on May 1, 2001.

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New Generation Cooperative Incentive Tax Credit Program

Producer-Member Tax Credit Holder

How are the five subsequent taxable years determined?

For example, if 2003 is the initial taxable year, credits may be carried forward to the 2004, 2005, 2006, 2007 or 2008 taxable years.

Income tax, credits may be carried forward to the 2004, 2005, 2006, 2007 or 2008 taxable years. Returns for these periods are due April 15, 2004, April 15, 2005, April 15, 2006, April 15, 2007, and April 15, 2008, respectively.

The 2003 return for corporation franchise tax or the tax on financial institutions imposed by chapter 148, RSMo is due April 15, 2003. Credit may be carried forward to the 2004, 2005, 2006, 2007 or 2008 taxable years. Returns for these periods were due April 15, 2004, April 15, 2005, April 15, 2006, April 15, 2007, and April 15, 2008, respectively.

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New Generation Cooperative Incentive Tax Credit Program

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Who is Eligible to Purchase the New Generation Cooperative Incentive Tax Credits?

Any taxpayer that would have a Missouri tax liability due pursuant to Chapters 143 (income tax except for sections 143.191 to 143.265), 147 (corporation franchise tax), and 148 (financial institution taxes and insurance premium tax), RSMo.

Missouri Department of Agriculture

New Generation Cooperative Incentive Tax Credit Program

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Determining Fair Market Value
Tax Credit Calculator

Tax credit value from the producer/investor's perspective.

Enter the tax credit amount.	$
In how many months do you expect to use or sell the tax credits	
Enter either the interest rate of loan used to purchase membership or the interest rate of the loan which would be paid with the proceeds of the sale of the tax credit. If not loan was obtained enter the interest rate of investment opportunity.	(Example: for 11% enter 0.11) %
Calculate Tax Credit	Clear Entries
Based on the above information the current value of the tax credit is...	$

Please Note: A potential credit purchaser could use the same formula to determine the value they could pay for the credit so as not to incur additional expenses other than actual value of the tax credit.

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New Generation Cooperative Incentive Tax Credit Program

Producer-Member Tax Credit Holder

How to Sell New Generation Cooperative Incentive Tax Credits

- Anyone with a Missouri tax liability is a possible candidate
- Such as: friends, family members, local banks, other lenders, businesses, insurance companies, etc.

New Generation Cooperative Incentive Tax Credit Program

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Revenue/Tax Liabilities if Credits are Sold

The Internal Revenue Service has indicated that any revenue/tax liabilities that might result from the sale of a tax credit has not been determined at the national level. Guidance should be sought from IRS or tax professional on a case-by-case basis.

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New Generation Cooperative Incentive Tax Credit Program

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If an amended return is filed to claim Credit and the taxpayer receives a refund, are there income tax implications at the federal or state level?

In some cases, the refund may have to be reported, for federal income tax purposes, as income in the year it was received. The most common example of this is when the tax was included in itemized deductions on the original federal income tax return, resulting in a lower tax on that return. For specific questions, the taxpayer should contact the Internal Revenue Service or his or her tax advisor.

The computation of Missouri income tax begins with federal adjusted gross income, so any refund included in federal adjusted gross income will also be included in income for Missouri purposes. Missouri law, however, allows a subtraction from income of any state income tax that was included in federal adjusted gross income and the Missouri individual income tax return and corporation income tax return both provide a line for that subtraction.

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New Generation Cooperative Incentive Tax Credit Program

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Transfer of Ownership of New Generation Cooperative Incentive Tax Credits

- Fill out Missouri Form R
  - Section I = Original Owner
  - Section II = New Owner
- Mail Form R to the address shown on the form
- No fee for transfers

Missouri Form R

New Generation Cooperative Incentive Tax Credit Program

Producer-Member Tax Credit Holder

Rights and Liabilities of New Generation Incentive Tax Credits

- Transferability: The tax credits may be assigned, transferred, sold, or otherwise conveyed and the new owner of the tax credit shall have the same rights in the credit as the member except that the carried-forward provision may not exceed the original five-year taxable period.
- Revocation or Repayment of Tax Credits: The Authority may recapture, in full or part, the value of any credits issued to the new generation processing entity producer members if; (1) any representation made by the new generation processing entity to the Authority in connection with an application from the new generation processing entity proves to have been false when made, (2) the new generation processing entity violates any conditions established by the Authority, or (3) the full-time employees or equivalency requirements are not met or maintained.

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New Generation Cooperative Incentive Tax Credit Program

Producer-Member Tax Credit Holder

CONTINUED: Rights and Liabilities of New Generation Incentive Tax Credits

- Liability for repayment or recoupment of tax credits for any misrepresentation remains with the original owner and/or new generation processing entity unless the new generation processing entity signs a tax credit agreement in which case, the new generation processing entity would assume the liability.
- In the event tax credits must be recaptured as a result of underemployment for an “Employee Qualified Capital Project”, the payback amount will be due and payable on the 15th day of the third month subsequent to the occurrence of a condition of revocation.

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New Generation Cooperative Incentive Tax Credit Program

Producer-Member Tax Credit Holder

CONTINUED: Rights and Liabilities of New Generation Incentive Tax Credits

- The Authority may recapture from the new generation processing entity producer-member, in full or part, the value of any credits issued if; any representation made by the new generation processing entity producer-member to the Authority in connection with an application from the producer-member proves to have been false when made.

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