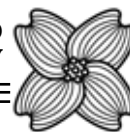




RULES OF
Department of Agriculture
**Division 100—Missouri Agricultural and Small
Business Development Authority**
**Chapter 14—Beginning Farmer Tax Deduction
Program**

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TITLE 2 – DEPARTMENT OF AGRICULTURE
Division 100 – Missouri Agricultural and Small Business Development Authority
Chapter 14 – Beginning Farmer Tax Deduction Program

2 CSR 100-14.010 Description of Operation, Definitions, and Method of Certification

PURPOSE: This rule describes the operation of the program, defines terms, and establishes the procedures for certification of a qualifying beginning farmer and farm owner which may be used by the farm owner to apply to the Missouri Department of Revenue for a deduction from Missouri adjusted gross income.

(1) General Organization.

(A) The Missouri Department of Agriculture is authorized to establish a process certifying the qualifications of a beginning farmer and farm seller under section 143.121, RSMo.

(2) Definitions.

(A) Authority means the Missouri Agricultural and Small Business Development Authority (MASBDA) created in section 348.020, RSMo.

(B) Beginning farmer is a taxpayer who –

1. Has filed at least one (1) but not more than ten (10) Internal Revenue Service Schedule F (Form 1040) Profit or Loss from Farming forms since turning eighteen (18) years of age; or

2. Is approved for a beginning farmer loan through the United States Department of Agriculture Farm Service Agency Beginning Farmer direct or guaranteed loan program; or

3. Has a farming operation that is determined by the Missouri Department of Agriculture to be new production agriculture but is the principal operator of a farm and has substantial farming knowledge; or

4. Has been determined by the Missouri Department of Agriculture to be a MASBDA qualified family member.

(C) Farmland. Real property for sale, rent, lease, or under a crop-share arrangement, and primarily used for, or suitable for, the cultivation and sale of crops (including forestry, fruit/nut trees and horticulture), raising and sale of livestock or poultry (including aquaculture), including the sale of products from such crops, livestock, or poultry.

(D) Farm owner is an individual (including an entity that is disregarded, for tax purposes, as separate from the individual) who owns farmland and disposes of or relinquishes use of all or some portion of such farmland as follows:

1. A sale to a beginning farmer; or

2. A lease or rental agreement not exceeding ten (10) years with a beginning farmer; or

3. A crop-share arrangement not exceeding ten (10) years with a beginning farmer.

(E) Production agriculture. The active cultivation of farmland with the intent of sale through marketing or distribution channels or direct sale to the public.

(F) Qualified family member is an individual who is related to a farm owner within the fourth degree by blood, marriage, or adoption and who is purchasing or leasing or is in a crop-share arrangement for land from all or a portion of such farm owner's farming operation.

(3) Amount of Tax Deduction. A farm owner who sells farmland to a beginning farmer may subtract from his/her Missouri adjusted gross income an amount, to the extent included in federal adjusted gross income, equal to the portion of capital

gains received from the sale of such farmland that such farm owner receives in the tax year for which such owner subtracts such capital gain according to the following:

Capital Gain Amount:	Percentage of Capital Gains Subtraction:
\$0-\$2 million	100%
\$2,000,001-\$3,000,000	80%
\$3,000,001-\$4,000,000	60%
\$4,000,001-\$5,000,000	40%
\$5,000,001-\$6,000,000	20%

A farm owner who rents, leases, or enters into a crop-share arrangement (not exceeding ten (10) years) with a qualified beginning farmer can reduce his/her Missouri adjusted gross income (cash rent income, in the case of a lease) equal to the amount of income received by the farm owner under the agreement to the extent included in federal adjusted gross income, up to twenty-five thousand dollars (\$25,000) per tax year.

(4) Operation of the Program.

(A) Application. Farm owners who wish to apply for the certification shall apply to the authority on forms provided by the authority, and provide the following information:

1. Farm owner certification –

A. For certification related to the sale of farmland occurring on or after August 28, 2023 –

(I) Copy of the sales contract, signed and dated by both parties;

(II) Copy of the final settlement statement confirming the transaction has taken place; and

(III) Copy of legal description documenting the farmland's location;

B. For certification related to the rent/lease/crop-share of farmland entered into on or after August 28, 2023 –

(I) Copy of the rental/lease/crop-share agreement signed and dated by both parties, clearly stating –

(a) Beginning and end date;

(b) Financial arrangement (annual payment, crop-share arrangement);

(c) Process of renewal or extension; and

(d) Process of cancellation by either party; and

(II) The certification for a rental/lease/crop-share arrangement will be valid for one (1) year and must be renewed annually (not to exceed ten (10) years) to confirm the lease/crop-share arrangement is still in effect;

2. Beginning farmer certification –

A. A copy of the most recent IRS Schedule F (Form 1040) Profit or Loss from Farming; or

B. A copy of the United States Department of Agriculture (USDA) Farm Service Agency (FSA) approval for a direct beginning farmer loan or a guaranteed farm loan; or

C. Documentation from a primary lender, landlord, current/previous farm employer if employed by a farm owner, agricultural service provider, etc. confirming the beginning farmer's intent to be the principal operator of the farm purchased or leased and the level of farming knowledge of the beginning farmer; or

D. A certification by the beginning farmer that the familial relationship with the farm owner is within the fourth degree by blood, marriage, or adoption.



(B) Annual certification of rental/lease/crop-share arrangement. Farm owners who wish to renew an annual certification verifying the lease/crop share arrangement is still in effect shall apply to the authority on a form provided by the authority, and provide the following information:

1. A current copy of the lease/crop-share arrangement, containing beginning and end dates of the arrangement; and
2. Verification by the beginning farmer the lease/crop share arrangement is still in effect.

(C) Fees. The authority may charge an application fee for the initial certification and, in the case of an annual certification of a lease/crop-share arrangement, an annual certification fee in an amount as set by the authority to cover the costs associated with the administration of the program.

(D) Issuance of certification. Upon receipt and verification of the qualifications of the farm owner and beginning farmer, a certification letter will be provided to the farm owner and beginning farmer to be used by the farm owner when requesting the tax deduction.

(E) Audit. The authority reserves the right to audit approved beginning farmers and farm owners to ensure compliance with program requirements for a period of seven (7) years from the date of the certification.

AUTHORITY: section 143.121, RSMo Supp. 2023. Original rule filed Jan. 31, 2024, effective July 30, 2024.*

**Original authority: 143.121, RSMo 1972, amended 1977, 1986, 1989, 1990, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2014, 2016, 2019, 2020, 2021, 2023.*