

Missouri's New Qualified Beef Tax Credit

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In 2007 the Missouri legislature established a new tax credit for cattle production that took effect in the fall of 2008. The program is administered by the Missouri Ag and Small Business Development Authority (MASBDA) within the Missouri Department of Agriculture and offers an incentive to background and finish cattle in Missouri. The new law provides the opportunity for a tax credit of 10¢ for each pound of additional weight put on Missouri feeder cattle.

Requirements

This new program is available to Missouri residents and to entities with their principal place of business in Missouri. The tax credit can be claimed on beef cattle (including Holstein steers) born after August 28, 2008. Breeding stock are not eligible. Weight gain must occur in Missouri and before the animal reaches 30 months of age. Animals must be source and age verified by a USDA approved Quality System Assessment (QSA) program, or Process Verified Program (PVP), or a program audited and evaluated by the Missouri Department of Agriculture. Records must be kept until the animals would have reached 42 months of age. Weight gains on steers and heifers are calculated separately. Qualified sales weight must exceed the three-year baseline weight by at least 200 pounds in order to collect the tax credit.

Formula for Calculating Credit

The formula for calculating the amount of tax credit earned during a year is to multiply the number of head marketed times 10¢ times the difference between the qualified sales weight and the baseline weight. The baseline weight is the producer's average sale weight of beef cattle marketed at 30 months of age or less during the three years prior to enrolling in the Qualified Beef Tax Credit program, sorted by sex. The baseline

weight will need to be updated after three years. For cattle that were shipped to another state for feeding before being sold, the weight at the time they left Missouri is used instead of the sale weight. The qualified sale weight is the annual average weight of beef cattle sold (or shipped out of Missouri, whichever comes first) before 30 months of age sorted by sex for the year for which the producer is applying for the tax credit.

Example:

The example below is for a producer who enrolls in the Missouri Qualified Beef Tax Credit Program in 2009 and applies for a tax credit in early 2010 on feeder cattle sold in calendar year 2009.

Year	Average Sale Weight (lbs.)	
	Steers	Heifers
2006	605	554
2007	612	565
2008	580	525
3 yr avg	599	548
2009	807	730
Increase	208	182

The producer's baseline weight is the average sales weight of cattle marketed in the three years prior to enrolling; in this case 2006-08. (The baseline will be used without adjustment for three years, then a new baseline calculated using sale weights in 2009-11.) In this example, 599 pounds was the average sales weight for steers and 548 pounds was the three-year average for heifers. In 2009, the producer delays selling his feeder cattle and feeds them longer resulting in an average market weight for steers of 807 pounds and an average weight of 730 pounds for heifers. Thus, this example producer marketed steers in 2009 at an average weight that was 208 pounds above his three-year baseline. The producer marketed heifers 182 pounds heavier than the baseline

weight. Only the steers had a 2009 qualifying sales weight that was 200 pounds above the baseline weight. This producer would be able to apply for a tax credit of \$20.80 for each steer marketed in 2009. No tax credit is available for the heifers since their 2009 average market weight wasn't at least 200 pounds above the baseline. The following year, the producer might face the following numbers:

<u>Year</u>	<u>Average Sale Weight (lbs.)</u>	
	<u>Steers</u>	<u>Heifers</u>
2006	605	554
2007	612	565
2008	580	525
3 yr avg	599	548
2010	858	792
Increase	259	244

The baseline weight doesn't change, but since the producer marketed heavier feeder cattle in 2010, in January 2011 she can apply for a credit of \$25.90 on each steer sold in 2010 and a credit of \$24.40 per head on the heifers sold.

How to Participate

(1) Enroll to participate on MASBDA form QBE. Provide your name, address, business information, QSA or PVP program, and documentation of baseline weights. The cost is \$50 if postmarked before April 2 and \$75 after April 1.

(2) Raise beef cattle in Missouri and sell prior to 30 months of age and at an average weight of at least 200 pounds above your three year baseline.

(3) Apply for your tax credit on MASBDA form QB between January 1 and March 1 for feeder cattle marketed in the previous year. Include business information and documentation of sales weights. The application fee is \$25.

Tax credits will be issued about March 31 of each year. No more than \$3 million per year of credits will be issued on a first-come, first-served basis. The tax credit is available for tax years beginning after 12/31/08 and ending before 1/1/17.

Since producers who feed cattle to slaughter weights in Missouri can't be expected to increase weights by 200 pounds, the program includes a provision for issuing a tax credit for increasing the number of cattle fed.

Additional information is on the web at:
<http://www.mda.mo.gov/masbda/qualifiedbeef.htm>