

Government Sponsored Financial Programs for Farmers

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Farming is a risky business that is affected by the local and national economy. In times of national crisis such as the COVID-19 pandemic, the government offers financial assistance to farmers. The programs are often time sensitive and require detailed paperwork to receive payment. This guide sheet is designed to educate farmers on the documents necessary for application to participate in available government programs. Many of the applications for these programs require the same pieces of information, and when those documents are correct and easily accessible it enables the farmer to submit complete applications for consideration. Funding opportunities vary between stimulus payments, grants, cost-shares, and loans.

Below is a list of definitions and programs that may be helpful to farmers as they seek financial assistance from government agencies:

Farm: **USDA** defines a **farm** as any place that produced and sold—or normally **would** have produced and sold—at least \$1,000 of **agricultural** products during a given year. **USDA** uses acres of crops and head of livestock to determine if a place with sales less than \$1,000 could normally produce and sell at least that amount.

Gross Income: the amount of total reported sales reported quarterly or annually to the government

Net Income: Gross income minus the cost of supplies, equipment, construction, maintenance, and payroll

Limited Liability Company (LLC): A business structure that shields owners or owners (in a partnership LLC) from personal liability in the event of company debt or legal responsibilities

Read the fine print! An LLC with only one member is treated as an entity that is disregarded as separate from its owner for income tax purposes (but as a separate entity for purposes of employment tax and certain excise taxes) and therefore the sole owner is personally responsible for income tax payments, debt, and legal responsibilities. Also, the owner may only take money out of the company as an owner draw that is not considered a wage, or business expense, and does not count toward the Social Security Benefits upon retirement.

S-Corporation: A tax status wherein the owner's salary will be a business expense so the owner will report salary and other business profit on their personal income tax return.

Commonly requested information:

EIN Federal Tax ID Number: Issued by the United States of America Internal Revenue Service (IRS) this 9-digit number is unique to the business and is used for identification and/or paying employment taxes

State of Missouri Business Charter Number: Certificate of Organization issued by the State of Missouri used in tax payments, business registration, and identification

E-Verify Compliance Form: E-Verify is a government program that confirms the eligibility of employee to work in the United States by checking the information on Form I-9, Employment Eligibility, the Social Security Administration, and the Department of Homeland Security

Certificate of No Tax Due: A document that verifies that the farm business has no outstanding tax payments due at the time of the financial program application

DUNS Number: The Data Universal Numbering System number that is maintained by the private company Duns & Brandstreet and is used for credit reporting, business ID, and financial health

SAM Registration Number: Also known as the Commercial and Government Entity (CAGE Code) this identification number is required for business to bid on Government contracts and receive grants

Farm Number: Issued by the Farm Service Agency of the United State Department of Agriculture, this number is used to identify the physical location of the farm

Electronic Federal Tax Payment System (EFTPS) Enrollment and PIN Number: The government issued enrollment and PIN is the only way to pay federal employment tax on-line; on-line is the only way to pay the federal employment tax (checks are not accepted). Popular accounting software systems automatically link the payment, however if there is a disruption in services tax will be delinquent unless paid directly from the business using the EFTPS system.

Types of funding available:

Grant: A sum of money given by the government or other organization for a particular purpose. NOT repayable by the farmer if completed properly. Example: *SARE F/R Grant*

Matching Grant: A grant the requires the applicant to pay portion of the project, usually this in a 1:1 or 2:1 ratio. On the application itself this is called, "Cash Match." Example: *Missouri Department of Agriculture Urban and Nontraditional Matching Grant*

Grant Request: The amount one is asking the grant funds to pay

In-kind Match or Donation: non-cash contribution to a grant usually in the form of personnel, goods, and services

Project Total: The amount of the Grant Request, Cash Match, and In-Kind Match; the cost of the proposed project

Read the fine print! Grants are often considered as taxable income and will need to be accounted in the farm's annual taxes. Also, many grants are offer funds only as reimbursements and requires the farmer to pay the up-front costs of the project, submit receipts and a request for reimbursement before funds are distributed. Example: *Specialty Crop Block Grant*. Grant funds can be held back from or returned to the funder if the grant reporting is not complete or the project is not completed within the timeline of the grant. Example: *SARE F/R Grant*

Cost-Share Program: Funding is portion of the project total that is not covered by the funding source, usually this is in the form a direct cost related to the completion of the project. Example: *Natural Resource Conservation Service (NRCS), Environmental Quality Incentives Program (EQIP) The program*

will pay for the cost of an approved high tunnel kit, but the funding will not cover the cost of constructing the high tunnel or preparing the land for construction.

Stimulus Payment: In times of national economic recession the federal government may offer a direct deposit or check to a taxpaying farmer. *Example: Coronavirus Food Assistance Program 2 for Specialty Crop Producers (CFAP-2)*

Read the fine print! Farm stimulus payments are a portion of annual gross income for eligible crops, and are considered taxable income. In the case of the CFAP-2, a farmer does not need to show a financial loss to be eligible.

Loan: a borrowed sum of money that is expected to be paid back with interest and is determined by personal and/or business assets of land and equipment. *Example: Payroll Protection Program, Small Business Administration*

Bridge loan: a short-term loan that is available until permanent financing is available. *Example: Missouri Agricultural and Small Business Development Authority (MASBDA) bridge loan program*

Letter of Support: A required document from an expert in the field of study who will offer technical and/or outreach assistance during the grant and may be from a business, university, or community leader.

Resources:

Lincoln University Cooperative Extension Innovative Small Farmers Outreach Program (ISFOP):
<https://www.lincolnu.edu/web/programs-and-projects/innovative-small-farmers-outreach-program>

USDA Farm Definition: USDA Economic Research Service: <https://www.ers.usda.gov/topics/farm-economy/farm-structure-and-organization/farm-structure/>

Internal Revenue Service Definition of a Limited Liability Company:
<https://www.irs.gov/businesses/small-businesses-self-employed/limited-liability-company-llc>

Taxation of Limited Liability Companies, IRS Publication 3402: <https://www.irs.gov/pub/irs-pdf/p3402.pdf>

Internal Revenue Service Definition of S-Corporation: <https://www.irs.gov/businesses/small-businesses-self-employed/s-corporations>

EIN Number: <https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online>

State of Missouri Business Charter Number: <https://www.sos.mo.gov/business/corporations>

E-Verify Program: <https://www.e-verify.gov/>

DUNS Number: <https://www.dnb.com/duns-number.html>

SAM Registration Number: <https://www.sam.gov/SAM/>

Coronavirus Food Assistance Program 2: <https://www.farmers.gov/cfap/specialty>

Farm Number via the Farm Service Agency: <https://www.fsa.usda.gov/>

Electronic Federal Tax Payment System (EFTPS): www.eftps.gov

Sustainable Agriculture Research and Education (SARE): <https://www.sare.org/>

Missouri Department of Agriculture Bridge Loan Program:
<https://agriculture.mo.gov/abd/financial/pdf/bridgeloanapp.pdf>

Payroll Protection Program: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>