

In Case You Missed It- Grants for Small, Beginning Farmers

On December 16th, 2016 Liz Higgins, from the Eastern NY Horticulture team, joined us in Plattsburgh, NY to lead a discussion on the current grants and other incentives available for beginning and small farms. Liz comes to the ENYH team with experience with the USDA, economic development, and watershed management. She began by discussing where the funds come from: federal programs through the USDA, FSA, NRCS, AMS or Rural Development, and state programs (NYS). She also pointed out that if you register online through FSA or NRCS you can be notified about upcoming opportunities. She clarified that there are three main sources of funds including: subsidized loans, tax incentives, and grants/cost sharing programs. Discussing the subsidized loans, she pointed out the NYS Farm Worker Housing Program that is currently administered by Farm Credit. There is the currently still funding available for this program, and the incentive is 0% interest (with a small fee for administration from Farm Credit East). The savings from this program can amount to quite a bit of interest over the life of the loan. Next she discussed the tax incentives. The first example is the agricultural sales tax exemption, which eliminates the payment of sales tax on supplies and capital purchases for farming operations. The form used to claim the exemption is an ST-125, and is available on NYS's website. To qualify, you should be filing a Schedule F with your federal 1040 Tax return (or through a 1065 Partnership Return), and purchases must be used 50% or more in a farming operation. For this purpose, 'farming' can also include harvesting timber and other forestry operations, and commercial horse boarding. In addition, should you purchase a tractor, vehicle, or other large capital purchase, it is best practice to keep a log of the miles or hours that it is used for farming purposes to indeed prove more than 50% use. NYS also offers two income tax credits, which are claimed when you file your annual tax return. The Farmers School Tax Credit is offered to full time farming operations that meet the eligibility test as outlined in the instructions (Form IT-217I). This program returns a large portion of school taxes paid in during the year (percentage based on base acreage and eligible taxes paid) as a refund. In addition, the NYS Manufacturer's Tax Credit (IT-641) takes all eligible town and county taxes paid during the year and returns 20% as a refund. This is limited to operations that are a "qualified NYS manufacturer" per the listed rules in the instructions on IT-641. The calculation of these credits, and determining your eligibility, can be complex, and it is best to consult a tax practitioner who specializes in agricultural business.

She then went on to discuss grant programs and match funded programs. There are both federal and state programs that can help farms get started or expand. Some key points to take away were the following: these grants take time and are not ideal for work that needs to be done quickly, the procurement policies can be very specific (from sealed bid contracting, to certified contractors, etc), and most are reimbursement structured so you must provide the money up front and then get reimbursed. There is a NYS New Farmer Grant that will fund a minimum of \$15,000 and a maximum of \$50,000, and can fund a maximum of 50% of the total project cost. The idea was for 20-60 projects to be funded statewide. The eligible businesses include owners that materially participate in a business that is in the first 10 years of operations and are older than 18 years. The eligible expenses include the purchase of new or used machinery and equipment, supplies, and or construction/improvement of physical structures used exclusively for agricultural purposes. The next grant discussed was the Value Added Producer Grant, administered through the USDA. Eligibility includes producers or producer groups (including co-ops) that are looking for funds to plan activities or capital purchases related to producing and marketing a value added agricultural product. The maximum award amount for planning is \$75,000, and capital cost is \$250,000, and there is a match funding requirement of \$1 for every \$1 funded.

In conclusion, she stressed the importance of really evaluating your situation: am I a good fit for the grant, and does my project line up with what the grants mission is? She clarified that it is important to balance your time and effort with the likelihood of getting funded. Some other good questions to consider before applying: is this project still going to be relevant by the time the funding comes in, can I complete a solid application in the time needed,

and can a get the upfront funding or match funding needed? Please see the link below to Liz's handout with all of the referenced links and more information on other grant programs.