

How R&D Tax Credits Help Farmers Harvest Hemp Know-How

Hemp. Marijuana. Cannabis. Until a few years ago, most Americans packed these three words into one indiscriminate pot of usage.

Many folks – including lawmakers – who didn't partake of the psychoactive plant marijuana, didn't understand that a chemical called tetrahydrocannabinol (THC) renders that plant unique from hemp. Marijuana and hemp are two visually similar – yet chemically distinct – species of the cannabis plant.



Marijuana contains brain-affecting levels of THC starting at a minimum 5 percent; hemp holds a benign [maximum of 0.3 percent](#)¹ – for comparison, the FDA allows 3 percent of your canned fruit [to be "wormy."](#)²

Marijuana gets center stage for pain relief, relaxation, and a host of other physical ailments. Hemp yields copious uses, such as clothing, carpet, biofuel, paper, flour, rope, insulation, seizure medication, and anxiety relief.

Colorado's ground-breaking decision to legalize marijuana lit up a chain reaction of awareness that slowly wafted across the country. As more states decriminalized the drug, the Farm Bill's historic revision – the Hemp Farming Act of 2018 – helped sow further understanding of the two plants and a fruitful new crop opportunity for farmers.

Higher Education

While the country becomes more informed about industrial hemp's characteristics and beneficial uses, farmers who elect to take on this new lucrative crop must build their knowledge base to reap hemp's bounties. Before the early 1900s, farmers freely grew hemp in abundance. But then came Prohibition zealots who razed hemp's legality with a sweeping arm of temperance.

For the better part of the 20th century and into the 21st, the plant remained ostracized under marijuana's cloud of criminality and taboo. Now many aspiring farmers have much to learn about hemp's attributes and farming requirements.

North Carolina State agriculture researcher Angel Post revealed that she now gets "tens and tens of questions each week" from novice hemp farmers. Commonly, they want to know what varieties of hemp to use, which insects and weeds will pose trouble, how to plant hemp, and [how to grow a profit.](#)³

Sowing the Seeds of Assistance

Of course, research calls for time and money. Good news: Farmers who want to cash in on the crop can look to the federal research and development (R&D) tax credit for assistance.

When a farmer sets out to develop new or improved products, processes, techniques, or formulas, the R&D tax credit yields a dollar-for-dollar reduction in the taxpayer's federal income tax liability. [Research activities](#) that a farmer performs to learn more about hemp cultivation may qualify for the tax credit if they [meet certain criteria](#). The money recovered can then help fertilize further research or any other imminent expense the farmer may incur.

To sweeten the cash-savings pot, the government allows small businesses, such as farms with less than \$50 million in gross receipts, to use the R&D credit to reduce their Alternative Minimum Tax (AMT).

Harvesting the Rewards

Now that the government has granted agri-businesses the green light to grow hemp, farmers need an extra hand to offset the cost of research vital to producing a healthy, gainful crop. The R&D tax credit can help industrial hemp farmers harvest substantial tax savings so they may have more money to refine their product, grow their business, and contribute to the economy.

If you're a farmer intimidated by the complexities of tax credits or who wants to ensure you capture your maximum potential savings, combine your ambition with the expertise of a [tax specialist](#). A tax professional can guide you through the finer points of the credit, so you have more time for growing.



Own a small farm? Click [here](#) to read our blog and learn how small farms can get big cash back with tax credits.

1. Hemp as Marijuana, Ministry of Hemp, 2018
2. 9 Disgusting Things That the FDA Allows in Your Food, Live Science, 2016
3. The Race to Relearn Hemp Farming, Unmark, 2019



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