COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4074H.02C
Bill No.: HCS for HB 1720
Subject: Agriculture; Department of Agriculture; Motor Fuel; Weights and Measures; Tax Credits; Tax Incentives; Department of Revenue; Energy; Boards, Commissions, Committees, and Councils; Environmental Protection
Type: Original
Date: January 13, 2022

Bill Summary: This proposal modifies various provisions governing agricultural economic opportunities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue Fund*	Up to ($5,705,894) to ($14,250,408)	Up to ($11,118,305) to ($39,262,907)	Up to ($11,121,293) to ($39,266,165)
Total Estimated Net Effect on General Revenue	**Up to ($5,705,894) to ($14,250,408)**	**Up to ($11,118,305) to ($39,262,907)**	**Up to ($11,121,293) to ($39,266,165)**

*Oversight notes the proposal extends the sunset dates of several existing tax credit programs – Oversight reflects a fiscal impact (loss of tax income) for those years past the current sunset date. Oversight also notes the fiscal impact estimates range from current average activity (or estimated activity) to the programs' annual caps.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Natural Resources Protection Fund - Anhydrous Ammonia Risk Management Plan Subaccount	Could exceed $62,132	Could exceed $105,733	Could exceed $102,154
Total Estimated Net Effect on Other State Funds	**Could exceed $62,132**	**Could exceed $105,733**	**Could exceed $102,154**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue Fund	3 FTE	3 FTE	3 FTE
NATURAL RESOURCES PROTECTION FUND - ANHYDROUS AMMONIA RISK MANAGEMENT PLAN SUBACCOUNT	3 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	**6 FTE**	**6 FTE**	**6 FTE**

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

§60.301, 60.315 & 60.345– Laws Regarding Land Survey

Officials from the **Missouri Department of Agriculture**, **Missouri Department of Transportation, Department of Economic Development**, **Office of Administration – Budget & Planning, Department of Natural Resources**, **Department of Revenue**, **Joint Committee on Administrative Rules**, **Office of the State Treasurer, State Tax Commission**, **City of Kansas City**, **City of Saint Louis – Budget Division**, and **City of Springfield** each assume this proposal would not have an impact on their respective organizations.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these sections.

§135.305- Wood Energy Tax Credit

Officials from the **Department of Revenue (DOR)** note:

The proposed legislation would reauthorize the Missouri wood energy producer tax credit until June 30, 2028. DOR notes the Wood Energy Tax Credit has a $6 million annual cap that is subject to appropriations. The legislature appropriated $1 million in credits in FY 2018 and FY 2019. For FY 2020 they appropriated $1.5 million and in FY 2021 they appropriated $740,000. This credit does not currently allow authorization of additional credits after June 30, 2020 (FY 2021) as the credit has sunset.

For informational purposes, the Department is showing the issuance and redemption of these credits over the last several years. These credits began in 1985.

Year	Issued	Corp Income	Fiduciary	Individual	Total Redeemed
FY 2021	$717,800.00	$146,019.00	$0.00	$172,490.40	$318,509.40
FY 2020	$1,455,000.00	$668,903.93	$0.00	$436,773.75	$1,105,677.68
FY 2019	$678,887.19	$355,397.70		$433,172.93	$788,570.63
FY 2018	$970,000.00	$895,319.15		-$4,231.66	$891,087.49
FY 2017	$970,000.00	$294,516.28	$665,388.00	$414,717.72	$1,374,622.00
FY 2016	$1,000,000.00	$273,846.00		$370,433.49	$644,279.49
FY 2015	$0.00	$306,775.07		$1,913,564.51	$2,220,339.58
FY 2014	$0.00	$691,843.00		$2,161,274.36	$2,853,117.36
FY 2013	$0.00	$990,603.00		$1,291,797.51	$2,282,400.51
FY 2012	$0.00	$973,467.50		$2,519,741.48	$3,493,208.98
TOTALS	$5,791,687.19	$5,596,690.63	$665,388.00	$9,709,734.49	$15,971,813.12

This proposal would require that DOR re-implement and/or continue to conduct its processes pertaining to the wood energy producer tax credit until at least June 30, 2028 (and potentially longer if carryovers of such credits may be claimed after that date). For example, DOR would need to accept certifications of assignment of the wood energy producer tax credit (Section 135.305, RSMo), and conduct certain post-issuance compliance functions regarding Tax Credit Accountability Act reports required in connection with the wood energy producer tax credit (see, e.g., Section 135.800, RSMo).

Since DOR has forms and computer programs set up to handle this credit we do not believe this would have any additional administrative impact.

However, the restarting of this credit could result in a loss to general revenue and total state revenue Up to the $6 million annual cap starting on July 1, 2022 (FY 2023).

Officials from the **Office of Administration – Budget & Planning note:**

The authorization, under Section 135.305, for the Wood Energy Producers Tax Credit ended on June 30, 2020. This would extend the tax credit of $5 per ton of processed material to 2028, with an annual authorization cap of $6 million, subject to appropriations. A Missouri wood energy producer shall be eligible for a tax credit on taxes otherwise due under chapter 143, except sections 143.191 to 143.261, as a production incentive to produce processed wood products in a qualified wood-producing facility using Missouri forest product residue.

The following redemption appropriations have been made for the Wood Energy tax credit:

Fiscal Year	Appropriation
2022	$1.5 million (HB 6 6.350)
2021	$740,000 (HB 2006 6.350)
2020	$1.5 million (HB 6)
2019	$1.0 million (HB 2007)
2018	$1.0 million (HB 7)

B&P notes that this section would be impacted by the emergency clause. Therefore, B&P estimates that this proposal could reduce general and total state revenue between $740,000 (low appropriation limit) and $6,000,000 (statutory authorization cap) annually beginning in FY23.

Oversight notes, per the Tax Credit Analysis submitted to Oversight by the **Department of Natural Resources** (**DNR**) the Wood Energy Tax Credit had the following activity:

Wood Energy Tax Credit	FY 2019 ACTUAL	FY 2020 ACTUAL	FY 2021 ACTUAL	FY 2022 (year to date)	FY 2022 (Full Year - est.)	FY 2023 (Budget Year - est.)
Certificates Issued (#)	9	8	8	*0*	6	0
Projects/Participants (#)	9	8	8	*0*	6	0
Amount Authorized	$678,887	$1,455,000	$717,800	*$0*	*$0*	$0
Amount Issued	$678,887	$1,455,000	$717,800	*$0*	*$0*	$0
Amount Redeemed	$789,077	$1,105,678	$1,014,359	*$543,359*	$555,362	$159,676

Oversight's policy is to show the extension of the tax credit program in the fiscal note. Oversight will show the revenue reduction to TSR and GR for Fiscal Year(s) beginning in Fiscal Year 2023.

Since the cap for the Wood Energy Tax Credit is $6 million annually (subject to appropriation), for purposes of this fiscal note, **Oversight** will report the extension of the tax credit as a continuation of the current appropriation level ($1,500,000 – HB 6 (2022)) up to the $6 million cap beginning in Fiscal Year 2023.

§135.686 Meat Processing Facility Investment Tax Credit Act

Officials from the **Department of Revenue (DOR)** assume this Section would extend from December 31, 2021 to December 31, 2028, the ability of a taxpayer to claim a tax credit for meat processing modernization or expansion related to the taxpayer's meat processing facility. The credit is equal to 25% of the qualifying expenses. The meat processing facility tax credit shares a $2 million annual cap with the Qualified Beef tax credit.

This proposal adds language requiring the company that owns the meat processing facility employ fewer than 500 people in the country. This may change who can qualify for the credit but will not impact the $2 million cap.

This proposal removes the language that requires the sharing of the $2 million cap with the Qualified Beef Tax Credit. Therefore, the meat processing facility tax credit will now receive the full $2 million credit.

For informational purposes, the Department is providing information on the amount of the credit issued and redeemed since this credit began in 2018.

Year	**Authorized**	**Issued**	**Total Redeemed**
FY 2021	$829,675.76	$829,675.76	$573,398.04
FY 2020	$1,171,805.57	$1,162,452.67	$380,371.14
FY 2019	$627,807.59	$552,807.59	$214,777.94
FY 2018	$286,781.89	$286,781.89	$5,561.00
TOTALS	$2,916,070.81	$2,831,717.91	$1,174,108.12

This proposal would require that DOR re-implement and/or continue to conduct its processes pertaining to the meat processing facility investment tax credit until at least December 31, 2028 (and potentially longer if carryovers of such credits may be claimed after that date). For example, DOR would need to accept certifications of assignment of the meat processing facility investment tax credit (Section 135.686, RSMo). Since DOR has forms and computer programs set up to handle this credit we do not believe this would have any additional administrative impact.

However, the restarting of this credit could result in a loss to general revenue and total state revenue Up to the $2 million annual cap starting on July 1, 2022 (FY 2023).

Officials from the **Office of Administration – Budget & Planning note:**

The authorization for the Meat Processing Facility Tax Credit ended on June 30, 2020. This proposal would extend the $2,000,000 cap to June 30, 2028. This proposal would also limit the tax credit to meat processing facilities with fewer than 500 employees throughout the United States.

B&P notes that the annual authorization cap for this program is $2,000,000. While the 3-year average annual redemptions was $389,516 for FY19 through FY21.

B&P notes that this section would be impacted by the emergency clause. Therefore, this proposal could reduce general revenue and total state revenues by $389,516 to $2,000,000 annually beginning in FY23.

Oversight notes, currently, for all tax years beginning on or after January 1, 2017, but <u>ending on or before December 31, 2021</u>, a taxpayer shall be allowed a tax credit for meat processing modernization or expansion as it relates to the taxpayer's meat processing facility.

This proposed legislation modifies the "end date" of this tax credit program by extending it to all tax years ending on or before December 31, 2028 (from 2021).

Oversight notes the Meat Processing Facility Investment Tax Credit and the Qualified Beef Tax Credit <u>will no longer share</u> the cap of two million dollars ($2,000,000).

Oversight's policy is to show the extension of the tax credit program in the fiscal note. Oversight notes the current end date for the Meat Processing Facility Investment Tax Credit is December 31, 2021. Oversight notes this proposed legislation extends the end date to December 31, 2028. Oversight notes that taxpayers who are awarded the Meat Processing Facility Investment Tax Credit in Tax Year 2022 will not file their tax returns claiming the tax credit until after January 1, 2023 (Fiscal Year 2023). Therefore, Oversight will report the impact as a result of extending the end date of this tax credit program beginning in Fiscal Year 2023.

Oversight notes the three (3) year average (Fiscal Year(s) 2019 – 2021) amount of Meat Processing Facility Investment Tax Credits issued per DOR equals $848,312.

Therefore, for purposes of this fiscal note, **Oversight** will report the extension of this tax credit as a <u>reduction</u> to GR by an amount "up to" $848,311 (the three (3) year average amount of Meat Processing Facility Investment Tax Credits issued) to $2,000,000 beginning in <u>Fiscal Year 2023</u>.

<u>§135.755 Ethanol Tax Credit</u>

Officials from the **Department of Revenue (DOR)** note:

Under this Section starting January 1, 2023, a taxpayer that is a retail dealer that sells higher ethanol blend at their service station can claim a tax credit equal to five cents per gallon on the higher ethanol blend sold. This proposal requires that the higher ethanol blend be more than 15% but less than 85% ethanol. This is the ratio of the ethanol sold generally as E85 fuel.

The tax credit is capped at $5,000,000 per fiscal year, is not refundable, and cannot be transferred or sold, but excess tax credits can be carried forward to any of the five subsequent tax years.

The U.S. Energy Information Administration reported that in 2019 (the most recent complete year of data) that Missouri consumed 25.7 trillion British thermal units (Btu) of ethanol. At a conversion rate of 120,286 Btu per gallon, it is estimated that Missouri used 213,657,450 gallons of fuel. This tax credit is five cents per gallon which is estimated to generate $10,682,872 in tax credits. However, since this credit is capped at $5 million DOR will show the impact to general revenue as the cap amount. This proposal allows the credit to be apportioned among all eligible retail dealers claiming the credit.

This tax credit would not be filed on the returns until January 2024 (FY 2024).

This is a new credit, primarily for business entities (corporations, maybe partnerships and S corporations and their members). The Department does not currently collect information on the amount of gallons of ethanol sold at the retail level. The Department would need to create a form and make changes to the existing tax credit form for taxpayers to claim this tax credit. This would require form and computer changes of at least $3,596. Additionally, DOR would need the following FTE should the number claiming the tax credit reach these thresholds.

1 Associate Customer Service Rep. for every 6,000 credits redeemed
1 Associate Customer Service Rep for every 7,600 errors/correspondence generated

Officials from the **Office of Administration – Budget & Planning (B&P)** note:

This creates a tax credit, beginning in calendar year 2023, for retail dealers selling higher ethanol blend at their retail service station. The amount of the credit shall equal $0.05 per gallon of higher ethanol blend sold by the retail dealer and dispensed through metered pumps during the tax year in which the tax credit is claimed. These credits cannot be transferred, sold, or assigned. The tax credit is not refundable but has a 5 year carry-forward. The total amount of tax credits authorized for any fiscal year shall not exceed $5,000,000.

B&P notes that this section is not impacted by the emergency clause. Therefore, this proposal could reduce general and total state revenue by up to $5M annually beginning in FY24. Due to the carryforward provision, in any given year the amount redeemed may exceed the estimate shown after the first full fiscal year.

For purposes of this fiscal note, **Oversight** assumes DOR can absorb the responsibilities of this tax credit with existing resources. Oversight provides further explanation below.

Oversight notes, for all tax years beginning on or after January 1, 2023, a retail dealer that sells higher ethanol blend at such retail dealer's service station is allowed a tax credit to be taken against the retail dealer's state income tax liability. The tax credit shall be equal to five cents ($0.05) per gallon of higher ethanol blend sold. The tax credits authorized shall not be transferred, sold, or assigned. The tax credits authorized shall not be refundable. Any amount of tax credits that exceeds a taxpayer's tax liability shall be permitted to be carried forward to any of the five (5) subsequent tax years.

Oversight notes the State of Iowa (Iowa) provides several tax credits for biofuel sales by retailers and blenders. Two (2) of Iowa's tax credits are the E15 Plus Gasoline Promotion Tax Credit and E85 Gasoline Promotion Tax Credit. Detailed information about Iowa's Biofuel Retailers Tax Credits can be found here.

Iowa's E15 Plus Gasoline Promotion Tax Credit is available to retail dealers of gasoline who sell blended gasoline that is classified as E15 Plus but not classified as E85 gasoline. Currently, Iowa's tax credit is considered seasonal; providing various amounts of credit(s) at different times of the year. From June 1 – September 15 of each year, the tax credit is awarded at $0.10 per gallon. At all other times, the tax credit is awarded at $0.03 per gallon.

Iowa's E85 Gasoline Promotion Tax Credit is available to retail dealers of motor fuel that sell E85. A tax credit can be claimed for each gallon of E85 sold by the retailer during the tax year. The current tax credit is calculated at $0.06 per gallon.

Using the 9 State Energy Consumption Estimates – 1960 through 2019, published by the U.S. Energy Information Administration, Oversight compared various energy consumption estimates for Iowa and Missouri. Oversight provides the comparison below:

2019 - State Energy Consumption Estimates - U.S. Energy Information Administration			
Iowa and Missouri	Iowa	Missouri	Iowa As a Percent of Missouri
Barrels of Fuel Ethanol	4,2733,000	7,378,000	58%
Total Motor Gasoline - Including Fuel Ethanol (btu)	186,900,000,000,000	376,200,000,000,000	50%
Total Fuel Ethanol (btu)	14,900,000,000,000	25,700,000,000,000	58%
Total Energy Consumption by End - Use Sector (Transportation)	303,100,000,000,000	555,100,000,000,000	55%
Iowa As a Percent of Missouri/Topic Average			55%

Oversight assumes, based on the Iowa and Missouri energy consumption comparison shown above, that Iowa's fuel ethanol operations (specific to end user consumption/transportation) could be operating at 55% capacity of Missouri's fuel ethanol operations.

Using information included in Iowa's Biofuel Retailers Tax Credits Program Evaluation Study (December 2019), Oversight reviewed the amount of tax credits claimed in 2016 for Iowa's E15

Plus and E85 Promotion Tax Credit(s) to estimate the number of gallons sold by tax credit claimants and compared such estimate to the *actual* number of gallons sold:

<table>
<tr><th colspan="7">State of Iowa Summary</th></tr>
<tr><th colspan="6">E85 Gasoline Promotion Tax Credit</th><th rowspan="2">Actual Total Number of E15-20 & E85 Gallons Sold In Iowa</th></tr>
<tr><th>Iowa Actuals (2016)</th><th>Amount Claimed</th><th colspan="2">Iowa Tax Credit %</th><th>Oversight Estimated Number of Gallons Claimed By Tax Credit Claimants</th><th>Actual Number of Gallons Sold</th></tr>
<tr><td>E85 is a blend of gasoline that contains between 70% and 85% ethanol.</td><td>$2,143,259</td><td colspan="2">$0.16 per gallon</td><td>13,395,368.75</td><td>13,471,861</td><td rowspan="6">22,506,449</td></tr>
<tr><th colspan="6">E15 Plus Gasoline Promotion Tax Credit</th></tr>
<tr><th>Iowa Actuals (2016)</th><th>Amount Claimed</th><th>Iowa Tax Credit %</th><th>Amount Claimed Per %</th><td rowspan="3">8,915,127.11</td><td rowspan="3">9,034,588</td></tr>
<tr><td rowspan="2">E15 Plus are blends of gasoline that contain between 15% and 69% ethanol</td><td rowspan="2">$426,788</td><td>June 1 - September 15 - $0.10 per gallon</td><td>$227,620</td></tr>
<tr><td>All Other Dates - $0.03 per gallon</td><td>$199,168</td></tr>
</table>

Oversight notes the amount of estimated gallons sold by tax credit claimants and the actual amount of gallons sold are very similar. Therefore, Oversight anticipates a near one hundred percent (100%) participation rate in Missouri for each gallon of qualifying fuel sold.

Oversight notes, based on the data reported above, the total amount of E-15 & 20 & E85 gallons sold in Iowa during 2016 totals 22,506,449.

If the assumption that Iowa's fuel ethanol operations are operating at 55% capacity of Missouri's fuel ethanol operations is accepted, Oversight estimates Missouri's total E15 Plus and E85 gallons sold could total 40,920,816 gallons (22,506,449 / 55%). Oversight notes, a tax credit equal to $0.05 per gallon would generate a total amount of tax credits equal to $2,046,041 (40,920,816 * $0.05).

Oversight notes the tax credit created if for all tax years beginning on or after January 1, 2023. Oversight notes taxpayers will not filed their Tax Year 2023 tax returns until after January 1, 2024 (Fiscal Year 2024).

Oversight notes the actual and overall impact of this proposed legislation is unknown. For purposes of this fiscal note, Oversight will report a revenue reduction to GR equal to a range beginning with an amount "Up to" $2,046,041 (as estimated by Oversight) to $5,000,0000 beginning in Fiscal Year 2024.

Oversight notes the tax credit created would automatically sunset on December 31, 2028 unless reauthorized by the General Assembly.

§135.775 Retail Sellers Tax Credit

Officials from the **Department of Revenue (DOR)** note:

This proposal creates a new tax credit for a retail dealer that sells biodiesel fuel. To qualify as biodiesel fuel it must be a blend of diesel and biodiesel between 5% and 20% for on-road and off-road diesel-fuel vehicle use. Proof that that biodiesel meets ASTM International specifications will need to be provided to the Department. The tax credit will be equal to two cents ($0.02) per gallon on biodiesel blend of 5% but no more than 10% mix or five cents ($0.05) per gallon sold on a biodiesel blend in excess of 10%.

The retailer must show proof they own or operate the station and meet all the specifications in the proposal in order to apply for the credit. Verification and certification processes are usually handled by other agencies. Once another agency verifies a person's qualifications, they are given a receipt that is attached to the tax return for DOR to process. Requiring DOR to do the verification and certification is outside our normal administrative scope. The proposal indicates that DOR can work with the Department of Agriculture to do some of this verification. MDA has indicated that this is also outside their normal scope of work. We assume in order to do this verification we will need 1 Auditor FTE and 2 Associate Customer Service Representatives to do the necessary verifications.

This tax credit is to begin on January 1, 2023. Tax returns claiming the credit will not be filed until January 2024 (FY 2024). This tax credit has a $16 million cap annually. The credit is refundable but cannot be sold, transferred or assigned. This credit says that if the cap is reached then the credit must be apportioned among all applicants.

The U.S. Energy Information Administration reported that in 2019 (the most recent complete year of data) 3.7 trillion Btu of biodiesel was consumed in Missouri. At a conversion rate of 120,286 Btu per gallon, it is estimated that Missouri used 30,760,021.95 gallons of fuel. It should be noted this information does not indicate the percent of mix of the fuel. For fiscal note purposes we will assume that all of it would qualify for the five cents per gallon credit. It is estimated at five cents per gallon it could generate $1,538,001 in tax credits.

The motor fuel tax is paid by a supplier/distributor. They purchase and mix the fuel then distribute to a retail station to sell to customers. DOR has a report on the number of biodiesel blended each month; however, the suppliers do not indicate the mix amount (such as E15 or E85).

Calendar Year	Total Biodiesel Gallons
2018	54,990,702
2019	52,352,437
2020	63,683,900
2021(incomplete)	49,536,202

Based on figures reported by the suppliers/distributors of what fuel they mixed, they show 63,683,900 gallons (last complete year of data) mixed of biodiesel in calendar year 2020. At the five cents per gallon credit this would result in $3,184,195 in credits being issued. It is unclear if all these gallons would meet the requirements of this proposal.

At the estimated amount sold in 2019 and 2020 it does not appear this will reach its apportionment cap inside the fiscal note period. DOR will show the impact as a loss to general revenue of $1,538,000 to $16,000,000.

This credit will need to be added to the MO-TC form as well as into our individual income tax filing system. The estimated cost of this credit is $3,596. Additionally we will need the 1 Auditor ($40,978) and the 2 Associate Customer Service Representatives ($26,328) for the verification and apportionment of the credit.

Officials from the **Office of Administration – Budget & Planning (B&P)** assume the Section would create a tax credit to be taken against a retail dealer's state income tax liability. The amount of the credit shall equal two cents per gallon of biodiesel blend of at least five percent but not more than ten percent and five cents per gallon of biodiesel blend in excess of ten percent sold by the retail dealer at a retail service station during the tax year in which the tax credit is claimed. The total amount of tax credits authorized shall not exceed $16 million per fiscal year.

According to data from the U.S. Energy Information Administration, Missouri consumed 0.7 million barrels of biodiesel in 2019 (0.7M barrels * 42 gallons per barrel = 29,400,000 gallons). If all of the biodiesel sold fit the eligibility for the tax credit, the cost to the state could be between $588,000 (0.02 * 29,400,000) and $1,470,000 (0.05 * 29,400,000). This tax credit may incentivize additional biodiesel retail sales in Missouri; however, no estimate of a potential increase in sales is available.

B&P notes that this section is not impacted by the emergency clause. Therefore, this provision could reduce general and total state revenue between ($588,000) and ($16,000,000) annually beginning in FY24.

Officials from the **Missouri Department of Agriculture (MDA)** note:

MDA assumes that the Department of Revenue will administer the tax credits for both the biodiesel retail dealers and biodiesel producers. MDA assumes that the supporting role of the Weights and Measures Division to validate that the biodiesel blend a retail dealer claims is accurate (as specified in Subsection 135.775.6, RSMo) will require limited compliance checks and that the cost could be absorbed by MDA. However, if that assumption is incorrect and the Department of Revenue requires more stringent proof of compliance and MDA needs to collect and test many fuel samples at the discretion of DOR, there would likely be a fiscal impact to MDA.

Oversight notes that Missouri ranked among the top one-third of states in biodiesel consumption of 29 million gallons in 2019. (State by State Biodiesel Consumption EIA.GOV). Oversight agrees with the DOR's estimated impact of this tax credit; however, will show the lower estimated impact as average of the total sales between 2% & 5% because the actual sales information does not indicate the percent of mix of the fuel estimates. Oversight calculate the average of sales as follow:

Total Consumption 2019	$30,760,022
2% credit per gallon	615,200
5% credit per gallon	1,538,001
Average of 2% & 5%	**$1,076,601**

Therefore, for purpose of this fiscal note (extreme fluctuation of biodiesel markets 2020 & 2021due to COVID-19), **Oversight** will show the impact as a loss to general revenue beginning FY 2024 ranging from $1,076,601 to $16,000,000 (using 2019 consumption of biodiesel). Additionally, **Oversight** will note DOR's requested 1 Auditor FTE ($40,978 annually) and 2 Associate Customer Service Representatives FTE ($26,328 annually per each representative needed) for implementation and necessary verifications of this program beginning FY 2023.

Oversight assumes the DOR will be able to absorb the cost for additional part time positions needed to maintain compliance of Section 135.775.4 (part time FTE hired at $10,164 annually) as they are ordinarily hiring part time positions annually in order to handle the extra overflow of tax filings.

§135.778 - "Biodiesel fuel" - Producer Tax Credit

Officials from the **Department of Revenue (DOR)** assume this proposal creates a new tax credit for a producer of biodiesel fuel. Starting January 1, 2023 this will allow a credit against their state income tax liability. The amount of the credit will be $0.02 per gallon of biodiesel fuel produced by a Missouri biodiesel producer. The Department notes there are currently 6 producers in the state.

The producer must show proof they are registered with the United States Environmental Protection Agency and began construction on their facility before August 28, 2022. Verification and certification processes are usually handled by other agencies. Once another agency verifies a person's qualifications, they are given a receipt that is attached to the tax return for DOR to process. Requiring DOR to do the verification and certification is outside our normal administrative scope. The proposal indicates that DOR can work with the Department of Agriculture to do some of this verification. MDA has indicated that this is also outside their normal scope of work. We assume in order to do this verification we will need 1 Auditor FTE and 2 Associate Customer Service Representatives to do the necessary verifications. We believe the same staff needed for the retailers could handle these producers as well.

The tax credit cannot be transferred, sold or assigned but is refundable. This proposal places a $4 million annual cap on the credit. This credit says that if the cap is reached then the credit must be apportioned among all applicants.

Using the same number of gallons calculated above, 30,760,021.95, this $0.02 per gallon credit could result in a loss to general revenue of $615,200. Additionally, if we assume the suppliers reported the 63,683,900 and that all were Missouri produced then this would result in $1,273,678 in credits being issued. We will show the loss from $615,200 to $4,000,000.

This credit will need to be added to the MO-TC form as well as into our individual income tax filing system. The estimated cost of this credit is $3,596. The FTE required for the retailer's tax credit is estimated to be able to handle this credit as well.

It should be noted that this proposal is allowing the producers' tax credits to be claimed against the income tax liability imposed by Chapter 143. However, the proposal is not excluding withholding tax as is the usual practice. Allowing this credit against withholding tax could require additional programming changes expected to exceed $10,000.

Officials from the **Office of Administration Budget & Planning (B&P)** assume**:**

This would create a tax credit to be taken against a Missouri biodiesel producer's state income tax liability for all tax years beginning with tax year 2023. The amount of the credit shall equal two cents per gallon of biodiesel fuel produced by a biodiesel facility that qualifies as a " Missouri biodiesel producer" according the bill language.

A Missouri biodiesel producer is defined as a person, firm, or corporation doing business in Missouri, is registered with the EPA, and has begun construction on a facility or been selling biodiesel produced at a Missouri facility on or before August 28, 2022.

B&P notes that the final requirement – begun construction or selling biodiesel fuel produced at a

Missouri facility on or before August 28, 2022 would prevent new biodiesel producers entering Missouri after August 28, 2022 from receiving this tax credit. Therefore, this tax credit would only be available to existing Missouri biodiesel producers.

The total amount of tax credits shall not exceed $4,000,000 per fiscal year.

According to the Missouri Department of Natural Resources, as of April 2020, Missouri had five commercial biodiesel production facilities. The total nameplate capacity in the state is around 216 million gallons, which roughly accounts for 9% of the nation's capacity of nearly 2.5 billion gallons. If all of Missouri's biodiesel facilities qualify as a "Missouri biodiesel producer" according to the bill language (status of qualifications are unknown), and produce between 80% and 100% of their capacity, the cost to the state could be between $3,456,000 ($.02 * 216M gallons * 80%) and $4,320,000 ($.02 * 216M gallons * 100%). However, with a $4M maximum, the range would be between $3,456,000 and $4,000,000.

B&P notes that this section is not impacted by the emergency clause. Therefore, this provision could reduce general and total state revenue between ($3,456,000) and ($4,000,000) annually beginning in FY24.

Oversight notes taxpayers will be able to claim the tax credit January 1, 2024.

Oversight notes that Missouri ranked among the top one-third of states in a biodiesel production of 253 million gallons in 2019. (State by State Biodiesel Consumption EIA.GOV). Oversight agrees with the B&P's estimated impact of this tax credit. Oversight will assume that there is range of 50% and 100% participation rate in this program for purpose of this fiscal note. Therefore, **Oversight** will reflect the estimated impact of reduction in general revenues beginning Fiscal Year 2024 ranging from $2,277,000 up to all available cap of $4,000,000 (see table below). Additionally, **Oversight** will reflect the DOR cost for programing changes which could exceed $10,000 beginning FY 2023.

Origination Type	**Tax Credit* Annual Consumption**	**Total**
Blend of at least eighty percent feedstock originates in Missouri	($0.02 * 253,000,000)*.8	$ 4,048,000
100% percent blend	($0.02 * 253,000,000)*1	$5,060,000
Average of both @ 100% participation rate		**$4,554,000**
Average of both @ 50% participation rate		**$2,277,000**

§275.357 Soybean Check-off program

Officials from the **Department of Revenue**, **Office of Administration – Budget & Planning**, **Missouri Department of Agriculture**, **Missouri Department of Transportation**, **Department of Economic Development**, **Office of the State Treasurer**, **State Tax Commission**, **Joint Committee on Administrative Rules, Kansas City**, **City of Springfield**, **City of Saint Louis – Budget Division** each assume this provision will have no direct fiscal impact on their respective organizations.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for this section.

§348.436 Agricultural Product Utilization and New Generation Cooperative Tax Credits

Officials from the **Department of Revenue (DOR**) assume:

This proposal extends the Agricultural Product Utilization Contributor tax credit program and the New Generation Cooperative Incentive tax credit program from December 31, 2021 to December 31, 2028. These credits share a $6 million annual cap. The cap is distributed to the New Generation Cooperative Incentive program first and the remaining unissued credits are disbursed then to the Agricultural Product Utilization Contributor program.

For informational purposes, the Department is showing the issuance and redemption of these credits over the last few years. Both these credits began in 1999.

Agricultural Product Utilization Credit

Year	Authorized	Issued	Total Redeemed
FY 2021	$146,500.00	$146,325.46	$654,873.01
FY 2020	$190,000.00	$182,377.36	$2,713,522.64
FY 2019	$195,000.00	$168,988.98	$2,278,431.86
FY 2018	$4,068,190.27	$4,048,690.27	$2,785,905.52
FY 2017	$3,247,845.84	$2,908,334.26	$2,638,868.14
FY 2016	$2,513,350.09	$2,513,350.09	$1,553,332.97
FY 2015	$2,376,167.67	$2,376,167.67	$1,051,661.96
FY 2014	$1,573,719.77	$1,573,719.77	$2,022,953.37
FY 2013	$1,062,510.26	$1,062,510.26	$1,267,239.12
FY 2012	$2,479,356.45	$2,479,356.45	$1,468,155.74
TOTALS	$17,852,640.35	$17,459,820.57	$18,434,944.33

New Generation Cooperative Credit

Year	Authorized	Issued	Total Redeemed
FY 2021	$12,650,000.00	$3,406,311.34	$462,260.73
FY 2020	$1,500,000.00	$360,000.00	$467,167.83
FY 2019	$3,153,843.50	$0.00	$839,615.09
FY 2018	$2,011,156.50	$1,931,717.01	$1,431,010.11
FY 2017	$1,873,475.00	$2,383,129.06	$2,093,123.93
FY 2016	$1,481,529.00	$1,278,144.64	$1,730,341.67
FY 2015	$7,938,220.00	$2,112,545.32	$2,842,869.70
FY 2014	$4,267,500.00	$4,426,280.23	$4,747,229.63
FY 2013	$5,612,982.00	$4,937,489.74	$2,100,091.11
FY 2012	-$652,500.00	$2,023,500.00	$826,952.82
TOTALS	$39,836,206.00	$22,859,117.34	$17,540,662.62

This proposal would require that DOR re-implement and/or continue to conduct its processes pertaining to these tax credits until at least December 31, 2028 (and potentially longer if carryovers of such credits may be claimed after that date). For example, DOR would need to accept certifications of assignment of the tax credits, and conduct certain post-issuance compliance functions regarding Tax Credit Accountability Act reports required in connection with the tax credits (see, e.g., Section 135.800, RSMo).

Since DOR has forms and computer programs set up to handle this credit we do not believe this would have any additional administrative impact. However, the restarting of this credit could result in a loss to general revenue and total state revenue of Up to the $6 million annual cap starting on July 1, 2022 (FY 2023).

Officials from the **Office of Administration (B&P)** assume any producer member (a person, partnership, corporation, trust or limited liability company whose main purpose is agricultural production that invests cash funds to an eligible new generation cooperative or eligible new generation processing entity) who invests cash funds in an eligible new generation cooperative or eligible new generation processing entity may receive a credit against the tax or estimated quarterly tax otherwise due pursuant to chapter 143, other than taxes withheld pursuant to sections 143.191 to 143.265, chapter 147 or chapter 148, in an amount equal to the lesser of fifty percent of such producer member's investment or fifteen thousand dollars.

According to the Tax Credit Analysis, the average annual redemption from FY 2019 to FY 2021 was as follows:

$1,882,276 Agricultural Product Utilization Contributor Tax Credit
$ 590,015 New Generation Cooperative Incentive Tax Credit
$2,472,291 3-year average annual redemption combined

B&P notes that this section would be impacted by the emergency clause. This proposal could reduce general and total state revenue between ($2,472,291) and ($6,000,000) annually beginning in FY23.

Oversight notes this proposed legislation extends the expiration date for the Agricultural Product Utilization Contributor Tax Credit, as authorized under Section 348.430 and the New Generation Cooperative Incentive Tax Credit, as authorized under Section 348.432.

Oversight further notes, the aggregate amount of tax credits issued per fiscal year under Section(s) 348.430 and 348.432 shall not exceed six million dollars ($6,000,000). In May of each year, the Missouri Agricultural and Small Business Development Authority determines whether six million dollars ($6,000,000) will be utilized as New Generation Cooperative Incentive Tax Credits or not. The amount of New Generation Cooperative Incentive Tax Credit(s) that are determined to be unused may be sold as Agricultural Product Utilization Contributor Tax Credits.

Oversight's policy is to show the extension of the tax credit program(s) in the fiscal note. Oversight notes the current expiration date for the Agricultural Utilization Product Contributor Tax Credit and the New Generation Cooperative Incentive Tax Credit is December 31, 2021. Oversight notes this proposed legislation extends the expiration date to December 31, 2028. Oversight notes that taxpayers who are awarded the Agricultural Product Utilization Contributor Tax Credit or the New Generation Cooperative Incentive Tax Credit in Tax Year 2022 will not file their tax returns claiming the tax credit until after January 1, 2023 (Fiscal Year 2023). Therefore, **Oversight** will report the impact as a result of extending the end date of this tax credit program beginning in Fiscal Year 2023.

Oversight notes the five (5) year average (Fiscal Year(s) 2017 – 2021) amount of Agricultural Product Utilization Contributor Tax Credit(s) issued equals $1,490,943.

Oversight notes the five (5) year average (Fiscal Year(s) 2017 – 2021) amount of New Generation Cooperative Incentive Tax Credit(s) issued equals $1,616,231.

Therefore, for purposes of this fiscal note, **Oversight** will report the extension of these tax credits as a reduction to GR by an amount "up to" $3,107,174 (the combined five (5) year average amount of tax credits issued ($1,490,943 + $1,616,231)) to the shared cap of $6,000,000, beginning in Fiscal Year 2023.

§275.357 Family Farm Breeding Tax Credit

Officials from the **Department of Revenue (DOR)** assume

Section 348.500.2 outlines the definitions and qualifications for participation in the Family Farm Breeding Livestock tax credit program. Previously the definition of "small farmer" required a farmer to have less than $250,000 in gross sales annually. This proposal is increasing the gross sales limit to $500,000. Increasing the limit may result in more farmers being able to qualify for the tax credit program.

Section 348.500.4 removes the restriction that a small farmer can only be eligible for one loan per family and per type of livestock. Removing this restriction may also increase the number of tax credits a farmer may receive and could increase the participation in the program of additional farmers.

Section 348.500.5 increases the loan amount for each type of livestock. This may result in larger loans that would qualify for the tax credits. This could also increase the participation in the program by additional farmers.

Lifestock Type	Current Loan	Amended Loan
Beef cattle	$75,000	$150,000
Dairy cattle	$75,000	$150,000
Swine	$35,000	$70,000
Shepp and goats	$30,000	$60,000

This tax credit program currently has a $300,000 annual cap. The annual cap on this program is not changed by this proposal. So while these changes may result in more credits being eligible to be claimed, the Department assumes this will not result in additional fiscal impact to the State.

For informational purposes, the Department is providing the amount of credits that have been authorized, issued and redeemed, the last few years.

Year	Authorized	Issued	Total Redeemed
FY 2021	$12,488.50	$2,429.88	$18,232.07
FY 2020	$26,849.87	$16,817.30	$9,636.08
FY 2019	$14,898.18	$39,235.88	$34,022.54
FY 2018	$42,093.03	$52,507.91	$106,558.44
FY 2017	$66,801.60	$70,892.19	$27,178.36
FY 2016	$72,855.33	$48,967.77	$35,495.50
FY 2015	$40,506.00	$39,309.78	$24,981.60
FY 2014	$39,423.64	$34,251.88	$22,770.02
FY 2013	$39,732.39	$35,044.24	$32,032.50
FY 2012	$31,328.73	$32,228.75	$53,947.47
TOTALS	$386,977.27	$371,685.58	$364,854.58

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this proposal would increase the number of famers that would qualify for family farm breeding livestock loans. This provision would also increase the amount of loans that could be taken by farms, depending on the type of livestock.

B&P notes that the family farm tax credit is granted to lenders for interest forgone during the first year of a family farm breeding livestock loan. Therefore, this proposal could increase the number and dollar amount of loans granted, which in turn would increase the amount of interest eligible for the tax credit. B&P further notes that this proposal does not change the $300,000 annual issuance cap on the tax credit program, but it could increase the utilization of the loan program and tax credit. The three-year average issuance amount is $26,754 (FY19 – FY21).

B&P notes that this section would be impacted by the emergency clause. Therefore, this proposal could increase annual issuances by up to $273,246 beginning in FY23.

Officials from the DOR assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for DOR for this section.

Oversight notes, according to the Tax Credit Analysis form, the Family Farms Act provides Missouri tax credits to lenders in lieu of the first year interest being paid on breeding livestock loans made to "small farmers" who are Missouri residents and who have less than $250,000 in gross agricultural product sales per year. The maximum eligible loan cannot exceed 90% of the cost of purchasing breeding livestock. Each small farmer shall be eligible for only one family farm livestock loan per immediate household family and only one type of livestock. The maximum amount of loan for each type of livestock is: Beef or Dairy cattle $75,000; Sheep or Goads $30,000; Swine $35,000.

Oversight notes the following certificates and amounts have been issued (from Missouri Depart. of Agriculture via e-mail) for the Family Farm Breeding Livestock Loan Program:

	FY 2017	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**
Certificates Issued	29	22	15	11	9
Amount Issued	$70,892	$52,508	$39,236	$16,817	$12,449

Oversight notes this proposal expands eligibility to farmers with less than $500,000 (from $250,000) in gross agricultural product sales per year, which could expand the program and increase the number of projects that qualify. The program has a $300,000 annual cap, and Oversight assumes this proposal may increase the number of projects that qualify for the credits; however, Oversight assumes the increase will not be by a substantial amount. Therefore, **Oversight** will reflect a cost of "Less than $100,000" to the General Revenue Fund for the Family Farm Breeding Tax Credit beginning in Fiscal Year 2023.

<u>Sections 643.050, 643.079, 643.245 – Protection Fund – Anhydrous Ammonia Risk Management Subaccount</u>

Officials from **Department of Natural Resources (DNR)** note:

The proposed legislation would cost the Department approximately **<u>$300,000 in staff time</u>** and workload. After consulting with the State of North Dakota (the only state agency that currently does this activity at the state level), the Department is basing work-load on inspections of regulated facilities once every 4-5 years. Estimate of work with estimate of hours per year - Total 5,500:

- 50 inspections - 800 hours
- 50 compliance assistance visits - 250 hours
- 50 plan reviews - 400 hours
- Data management - 500 hours
- Compliance and enforcement - 500 hours
- Program management - 250 hours
- Rule development and request to EPA for delegation (first year only) - 500 hours
- Registration and fee collection - 800 hours
- Clerical and administrative duties - 1,500 hours

Based on the estimate above, the Department would need 3 additional FTE to accomplish this work.

1 FTE Professional Engineer - $58,080
1 FTE Environmental Program Analyst - $38,472
1 FTE Lead Administrative Support Assistant - $29,808

Environmental Program Analyst – This position would conduct the inspections, maintain the database and assist the public in complying with this regulation. In addition, this position would handle any relevant enforcement work that arose from this activity. The Department may choose to split this work among several different staff, 3/4 FTE performing inspections in 3 different areas of the state and the balance in the central office.

Professional Engineer – This position would include planning and support for the database and guidance/direction regarding enforcement cases. In addition, this position would be involved in ensuring the processing of licenses and fees are conducted in an appropriate fashion, and to resolve any issues that arise with licenses or fees.

Lead Administrative Support Assistant – This position would provide general support including processing reports, general correspondence, etc. In addition, this position could be responsible for processing licenses and fees.

Currently, the authority for enforcing the federal anhydrous ammonia regulations lies with the

Environmental Protection Agency (EPA). The Department has spoken with EPA Region VII about requesting delegation and they are open to that but the Department would still need to officially request and receive delegation for this work.

Section §643.079.10 – The proposed legislation requires each retail agricultural facility that uses, stores, or sells anhydrous ammonia to pay a $200 annual registration fee and an annual tonnage fee of $1.25 per ton. The proposed legislation also requires each distributor or terminal agricultural facility pay an annual registration fee of $5,000 and shall not pay a tonnage fee.

Section §643.245 – All registration and tonnage fees collected under §643.079 and any other moneys designated shall be deposited into the Natural Resources Protection Fund – Anhydrous Ammonia Risk Management Plan Subaccount.

Revenue Impact

DNR notes the Missouri Department of Agriculture estimates 203 facilities would be required to pay the $200 annual registration fee increasing the annual revenue by **$40,600**.

Average annual tonnage estimates provided by the Missouri Fertilizer Program (March 2020) are 230,813 tons anhydrous ammonia sales. This would increase the annual revenue by **$288,516**.

"Distributor" or "terminal agricultural facility" is not defined, therefore, it is not possible for the Department to estimate the amount of revenue the $5,000 registration fee would generate

Oversight does not have any information to the contrary in regards to DNR's assumptions; therefore, **Oversight** will reflect DNR's estimated revenue on the fiscal note for the 203 estimated facilities that will pay the $200 annual registration fee. Oversight will reflect an increase of $288,516 in revenue for the tonnage fees beginning Fiscal Year 2023. In addition, Oversight will reflect a $0 (there are no distributors or terminal agricultural facilities in Missouri) or an "Unknown" increase in revenue (there are distributors or terminal agricultural facilities in Missouri that will have to pay the $5,000 annual registration fee).

Officials from the **Office of Administration – Budget & Planning** and **Department of Revenue** both assume this specific section would not have a direct impact on their respective organizations.

Overall Bill

Oversight notes that the **difference** between the 4074H.01I and Committee Substitute is this adds a provision that if the $4 million cap in Section 135.778 is not fully used, then the remaining portion of the cap can be distributed to the Biodiesel Retailers under Section 135.775; therefore, these two provision will effectively share the caps.

Officials from the **Department of Economic Development**, **Missouri Department of Agriculture**, **Missouri Department of Transportation**, **Office of the State Treasurer**, **State Tax Commission, Joint Committee on Administrative Rules**, and **City of Springfield**, **City of Kansas City**, **City of Saint Louis – Budget Division** each assume the above tax credits would not have a fiscal impact on their respective organizations.

Therefore, for the purpose of this fiscal note, **Oversight** will reflect zero fiscal impact for the abovementioned organizations.

FISCAL IMPACT – State Government	FY 2023 (10 Mo.)	FY 2024	FY 2025
GENERAL REVENUE FUND			
Revenue Reduction – Section 135.305 – Extension of the Wood Energy Tax Credit from 06/30/2021 to 06/30/2028 (p.3-5)	($1,500,000) or up to ($6,000,000) depending on appropriation	($1,500,000) or up to ($6,000,000) depending on appropriation	($1,500,000) or up to ($6,000,000) depending on appropriation
Revenue Reduction – Section 135.686 - Extension of Meat Processing Facility Investment Tax Credit From December 31, 2021 to December 31, 2028 (p.5-7)	Up to ($848,311) to ($2,000,000)	Up to ($848,311) to ($2,000,000)	Up to ($848,311) to ($2,000,000)
Revenue Reduction – Section 135.755 – Tax Credit For Ethanol Blended Fuel Sales (p.7-11)	$0	Up to ($2,046,041) to ($5,000,000)	Up to ($2,046,041) to ($5,000,000)
Revenue Reduction – Section 135.775 – Tax Credit for Retail Sellers of Biodiesel (p.11-13)	$0	Up to ($1,076,601) to ($16,000,000)	Up to ($1,076,601) to ($16,000,000)
Cost – DOR – Section 135.775.04 implementation p. 12			
Personal Services	($78,028)	($86,555)	($88,286)
Fringe Benefits	($52,623)	($64,411)	($65,699)
Expense and Equipment	($9,756)	($11,941)	($12,180)
Total Costs – DOR	($140,408)	($162,907)	($166,165)
FTE Change – DOR	3 FTE	3 FTE	3 FTE
FISCAL IMPACT – State Government (continued)	FY 2023 (10 Mo.)	FY 2024	FY 2025
Revenue Reduction – Section 135.778 – Tax Credit for Producers of Biodiesel (p.13-15)	$0	Up to ($2,277,000) to ($4,000,000)	Up to ($2,277,000) to ($4,000,000)
Cost – DOR ITSD - Section 135.778 – Tax Credit for Producers of Biodiesel programing changes for withholding (p.14)	Could exceed ($10,000)	$0	$0

Revenue Reduction – Section 348.436 – Extension of Expiration Date For Agricultural Product Utility Contributor Tax Credit & New Generation Cooperative Incentive Tax Credit (p.16-18)	Up to ($3,107,174) to ($6,000,000)	Up to ($3,107,174) to ($6,000,000)	Up to ($3,107,174) to ($6,000,000)
Cost - Section 348.500 - Increase in issuance of tax credits for the Family Farm Breeding Livestock tax credit program (p.18-20)	(Less than $100,000)	(Less than $100,000)	(Less than $100,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**Up to ($5,705,894) to ($14,250,408)**	**Up to ($11,118,035) to ($39,262,907)**	**Up to ($11,121,293) to ($39,266,165)**
NATURAL RESOURCES PROTECTION FUND - ANHYDROUS AMMONIA RISK MANAGEMENT PLAN SUBACCOUNT			
Revenue - Section §643.079.10 -DNR - $200 annual registration fees for agricultural retailers of anhydrous ammonia (p.21-22)	$33,833	$40,600	$40,600
FISCAL IMPACT – State Government (continued)	FY 2023 (10 Mo.)	FY 2024	FY 2025
Revenue §643.245 - DNR - tonnage fees for agricultural retailers of anhydrous ammonia (p.21-22)	$240,430	$288,516	$288,516
Revenue –- §643.079.10-DNR - $5,000 annual registration fees for distributors or terminal facilities (p.21-22)	$0 to Unknown	$0 to Unknown	$0 to Unknown
Cost – DNR p. 21			
Personal Services	($105,300)	($128,887)	($131,465)

Fringe Benefits	($72,289)	($87,594)	($88,458)
Expense and Equipment	($14,821)	($6,901)	($7,039)
Total Costs – DNR	($192,410)	($223,383)	($226,962)
FTE Change – DNR	3 FTE	3 FTE	3 FTE
Cost - DNR - OA-ITSD Services	($20,000)	$0	$0
TIMATED NET EFFECT ON THE NATURAL RESOURCES PROTECTION FUND	**Could exceed $62,132**	**Could exceed $105,733**	**Could exceed $102,154**
Estimated Net FTE Change on Other State Funds	3 FTE	3 FTE	3 FTE

FISCAL IMPACT – Local Government	FY 2023 (10 Mo.)	FY 2024	FY 2025
	$0	**$0**	**$0**

FISCAL IMPACT – Small Business

This proposed legislation could positively impact any small business that qualifies for the various tax credits.

FISCAL DESCRIPTION

This bill modifies the provisions relating to agricultural economic opportunities.

LAND SURVEYS (Sections 60.301, 60.315, and 60.345 RSMo.)

The bill adds "center of section" to the points of land included in the definition of "corners of the United States public land survey".

The bill substitutes the phrase "an existent corner" with "a position" within the definition of "obliterated, decayed or destroyed corner".

A description of the procedure used to relate the intersection of meridional and latitudinal lines to the measurement between four known corners is repealed.

Certain options that can be used to reestablish lost standard corners and lost section and quarter-section corners are repealed and replaced with the single proportionate method.

The bill also provides that the proportional position shall be offset, if necessary, in a cardinal direction to the true line defined by the nearest adjacent corners on opposite sides of the quarter corner to be established.

WOOD ENERGY TAX CREDIT (135.305)

The bill extends the tax credit for Missouri wood energy producers from June 30, 2020 to June 30, 2028.

MEAT PROCESSING FACILITY INVESTMENT TAX CREDIT (135.686)

Currently, the Meat Processing Facility Investment Tax Credit for the expansion or modernization of meat processing facilities is set to expire on December 31, 2021. The bill extends the tax credit until December 31, 2028. The bill also limits the tax credit to taxpayers who own a meat processing facility in the state and employ less than 500 people at all processing facilities nationwide.

ETHANOL RETAILERS INCENTIVE (135.755)

For all tax years beginning on or after January 1, 2023, the bill authorizes a tax credit for retail dealers selling higher ethanol blend at the retail dealer's service station. The credit will be equal to $0.05 per gallon of higher ethanol blend sold and dispensed through metered pumps at the service station during the tax year. The tax credit will be nontransferable and nonrefundable but may be carried forward to any of the five subsequent tax years. The total amount of tax credits authorized under the bill in a given fiscal year will not exceed $5 million. The program will sunset on December 31, 2028, unless reauthorized by the General Assembly.

BIODIESEL INCENTIVE PROGRAMS (Sections 135.775 and 135.778)

For all tax years beginning on or after January 1, 2023, the bill authorizes a tax credit for retail dealers selling a biodiesel blend at the retail dealer's service station. The credit will be equal to $0.02 per gallon for between a 5% and 10% blend and $0.05 per gallon of in excess of a 10% blend sold and dispensed through metered pumps at the service station during the tax year. The tax credit will be nontransferable and nonrefundable but may be carried forward to any of the five subsequent tax years. The total amount of tax credits authorized under the bill in a given fiscal year will not exceed $16 million. The program will sunset on December 31, 2028, unless reauthorized by the General Assembly.

For all tax years beginning on or after January 1, 2023, the bill authorizes a tax credit for Missouri biodiesel producers in the state. The credit will be equal to $0.02 per gallon produced by the Missouri biodiesel producer during the tax year. A biodiesel producer that does not qualify as a Missouri biodiesel producer, as defined by in the bill, may claim a prorated tax credit based on the percentage of the producer's feedstock that originates in Missouri.

The tax credit will be nontransferable and nonrefundable but may be carried forward to any of the five subsequent tax years. The total amount of tax credits authorized under the bill in a given fiscal year will not exceed $4 million. The program will sunset on December 31, 2028, unless reauthorized by the General Assembly.

SOYBEAN PRODUCERS ASSESSMENT (275.357)

Currently, the federal soybean producers assessment is 0.5% of the net market price of soybeans grown in this state and the state assessment is one half of the national assessment. This bill specifies that as long as the federal assessment remains at 0.5%, the state assessment must correspond to the state credit of the total assessment paid to the commodity merchandising council.

If federal assessment is reduced or ceases, the state assessment will be equal to 0.5% of the net market price of soybeans grown with in the state. The bill specifies how the state and federal assessments are to be collected and remitted and that the state feeds are subject to refund.

AGRICULTURAL TAX CREDIT EXTENSIONS (Section 348.436)

Currently, the Agricultural Product Utilization Contributor Tax Credit under Section 348.430, and the New Generation Cooperative Incentive Tax Credit under Section 348.432 are set to expire on December 31, 2021. The bill extends the expiration date to December 31, 2028.

FAMILY FARMS ACT (Section 348.500)

Currently, a small farmer may qualify for the Family Farm Livestock Loan Program if he or she is a farmer that is a Missouri resident who has less than $250,000 in gross sales per year and is only eligible for one loan per family and for only one type of livestock. The bill allows a farmer to qualify if he or she has less than $500,000 in gross sales per year and removes the restriction to only one loan per family. In addition, the bill doubles the maximum amount of the loan for each type of livestock.

ANHYDROUS AMMONIA (Sections 643.050, 643.079, 643.245 and repeal of 266.355)

The bill repeals provisions of law that give the Department of Agriculture oversight over standards relating to anhydrous ammonia and authorizes the Air Conservation Commission to adopt, promulgate, amend, and repeal rules and regulations for covered processes at agricultural stationary sources that use, store, or sell anhydrous ammonia, and regulations necessary to implement and enforce the risk management plans under the federal Clean Air Act.

Each retail agricultural facility that uses, stores, or sells anhydrous ammonia that is an air contaminant source subject to a risk management plan under the federal Clean Air Act must pay an annual registration of $200. The bill also establishes an annual tonnage fee for anhydrous ammonia of $1.25 per ton used or sold.

Each distributor or terminal agricultural facility that uses, stores, or sells anhydrous ammonia that is an air contaminant source subject to a Risk Management Plan Program 3 under federal regulations relating to chemical accident prevention must pay an annual registration of $5,000 and does not pay a tonnage fee.
The bill creates the "Anhydrous Ammonia Risk Management Plan Subaccount" within the Natural Resources Protection Fund which shall consist of fees required in these provisions.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

The bill contains an emergency clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

<u>SOURCES OF INFORMATION</u>

Department of Revenue
Office of Administration – Budget & Planning
Department of Natural Resources
Missouri Department of Transportation
Department of Economic Development
Missouri Department of Agriculture
Joint Committee on Administrative Rules
Office of the State Treasurer
State Tax Commission
City of Springfield
City of Kansas City

BB:LR:OD

City of Saint Louis – Budget Division

Julie Morff
Director
January 13, 2022

Ross Strope
Assistant Director
January 13, 2022