COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4074S.07A
Bill No.: SS for SCS for HCS for HB 1720 as amended
Subject: Agriculture; Surveyors; Tax Credits; Motor Fuel; Boards, Commissions, Committees and Councils
Type: Original
Date: April 6, 2022

Bill Summary: This proposal modifies provisions relating to agricultural economic opportunities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue Fund*	($6,170,961) Up to ($13,426,475)	($11,794,978) Up to ($38,650,850)	($11,801,283) Up to ($54,657,155)
Total Estimated Net Effect on General Revenue	**($6,170,961) Up to ($13,426,475)**	**($11,794,978) Up to ($38,650,850)**	**($11,801,283) Up to ($54,657,155)**

*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.

*Oversight notes Section 144.030 (Farm Utility Vehicles) represents the potential fiscal impact of additional farm equipment that was not previously eligible for exemption that would now be sales-tax-exempt. Based on the responses from the Department of Revenue and Budget and Planning, Oversight will assume the fiscal impact from this part of the proposal will not reach the $250,000 threshold.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
School District Trust Fund	(Unknown)	(Unknown)	(Unknown)
Parks and Soils State Sales Tax Funds	(Unknown)	(Unknown)	(Unknown)
Conservation Commission Fund	(Unknown)	(Unknown)	(Unknown)
Natural Resources Protection Fund - Anhydrous Ammonia Risk Management Plan Subaccount	Could exceed $61,853	Could exceed $105,734	Could exceed $102,154
Total Estimated Net Effect on Other State Funds	**(Unknown) to Could Exceed $61,853**	**(Unknown) to Could Exceed $105,734**	**(Unknown) to Could exceed $102,154**

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 Political Subdivisions	(Unknown) to Unknown	(Unknown) to Unknown	(Unknown) to Unknown
Local Government	**(Unknown) to Unknown**	**(Unknown) to Unknown**	**(Unknown) to Unknown**

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

§9.315 Pet Breeders Week in Missouri

In response to a similar, SB 1200 (2022), officials from the **Missouri Department of Agriculture** and the **Office of Administration** each assumed the proposal would have no 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.

§21.915 Joint Committee on Economic Development

In response to a similar proposal, SB 705 (2022), officials from the **Office of Administration (OA)** stated this bill establishes a joint committee on rural economic development to compile reports of recommendations they have for administrative and procedural changes for state government agencies and departments. Office of Administration staff would be required to cooperate with and provide assistance to provide any books, reports, and any other requested information when needed for the joint committee. The fiscal impact of this bill is unable to be calculated because it is unknown how often a request for such information would need or how much interaction the Office of Administration staff would be required to compile the requested information. Varying levels of staff time could be required depending upon the nature of the underlying request as well as the supplies that would be needed to provide the information. Therefore, the fiscal impact of this bill is $0 to unknown.

Officials from the **Department of Health and Senior Services (DHSS)** stated Section 21.915.4 of the proposed legislation could affect DHSS. DHSS may be asked to provide to the committee a variety of socio-economic and demographic data from the most recent decennial US census as well as other metrics from health surveys that measure access to care and insurance status in rural areas of the state. The Bureau of Health Care Analysis & Data Dissemination (BHCADD) estimates that this work could total 40 hours to identify, analyze, download and convert into a consistent format the various indicators the Committee could request. As the proposed legislation does not specify what degree of assistance is to be provided or which agencies will provide assistance, the actual cost could be very minimal or it could be more extensive depending on the specific nature of the request.

DHSS anticipates being able to absorb these costs. However, until the FY23 budget is final, the department cannot identify specific funding sources.

Officials from the **Missouri Senate** anticipated a negative fiscal impact to reimburse 5 senators for travel to Joint Committee on Rural Economic Development meetings. In summary, it will cost approximately $639.45 per meeting for reimbursable travel expenses.

Oversight assumes neither the Missouri Senate nor the state departments would realize a material fiscal impact from the creation and activities of the new Joint Committee on Rural Economic Development.

In response to a similar proposal, officials from the **Attorney General's Office**, **Office of Administration - Budget and Planning**, **Department of Commerce and Insurance**, **Department of Economic Development**, **Department of Elementary and Secondary Education**, **Department of Higher Education and Workforce Development**, **Department of Mental Health**, **Department of Natural Resources**, **Department of Corrections**, **Department of Labor and Industrial Relations**, **Department of Revenue**, **Department of Public Safety**, **Department of Social Services**, **Missouri Department of Agriculture**, **Missouri Department of Conservation**, **Missouri Department of Transportation**, the **Missouri House of Representatives** and the **Joint Committee on Legislative Research** each assumed the proposal would not fiscally impact their respective agencies.

§60.301, 60.315 & 60.345– Laws Regarding Land Survey (Effective with Emergency Clause)

In response to a previous version of the proposal, officials from the **Missouri Department of Transportation, 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 assumed this proposal would not have an impact on their respective organizations.

In response to a previous version of the proposal, officials from the **Department of Economic Development** & **Missouri Department of Agriculture** both assumed the proposal would not have a 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 these sections.

§135.305- Wood Energy Tax Credit (Effective with Emergency Clause)

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 they 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).

In response to a previous version of the proposal, officials from the **Office of Administration – Budget & Planning noted:**

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 (Effective with Emergency Clause)

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 they 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).

In response to a previous version of the proposal, officials from the **Office of Administration – Budget & Planning noted:**

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 (Effective with Emergency Clause)**</u>

In response to a similar proposal, officials from the **Department of Revenue (DOR)** noted:

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

In response to a similar proposal, officials from the **Office of Administration – Budget & Planning (B&P)** noted:

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="5">22,506,449</td></tr>
<tr><th colspan="6">E15 Plus Gasoline Promotion Tax Credit</th></tr>
<tr><td>Iowa Actuals (2016)</td><td>Amount Claimed</td><td>Iowa Tax Credit %</td><td>Amount Claimed Per %</td><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 – Biodiesel Retail Sellers Tax Credit (Effective with Emergency Clause)

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

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 their 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. They assume in order to do this verification they 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 they 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 their individual income tax filing system. The estimated cost of this credit is $3,596. Additionally they will need the 1 Auditor ($40,978) and the 2 Associate Customer Service Representatives ($26,328) for the verification and apportionment of the credit.

In response to a similar proposal, officials from the **Office of Administration – Budget & Planning (B&P)** assumed 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.

In response to a similar proposal, officials from the **Missouri Department of Agriculture (MDA)** noted:

MDA assume 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 (Effective with Emergency Clause)

Officials **Department of Revenue (DOR)** assumed 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 their 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. They assume in order to do this verification they will need 1 Auditor FTE and 2 Associate Customer Service Representatives to do the necessary verifications. They 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 they 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. They 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 their 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.

In response to a similar proposal, officials from the **Office of Administration Budget & Planning (B&P)** assumed**:**

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 the section further clarifies & adds a language regarding distributors that sell biodiesel blend directly to final users located in the state. Oversight assumes the clarification will not have an additional fiscal impact.

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**

<u>§135.1610 Urban Tax Credits (Effective with Emergency Clause)</u>

In response to a similar proposal, officials from the **Office of Administration – Budget & Planning Division (B&P)** stated this proposed legislation, for all tax years beginning on or after January 1, 2023, creates a tax credit for taxpayers who establish an urban farm within a classified food desert within the state. If an urban farm is established within a qualifying area, the qualifying taxpayer would be able to claim a tax credit against their state tax liability up to 50% of the eligible expenses for establishing the urban farm. No urban farm can claim a tax credit in excess of $25,000. The tax credits may be carried forward to the next three (3) succeeding tax years. There is a $200,000 cap placed on the tax credit.

This proposed legislation could reduce General Revenue (GR) and Total State Revenue (TSR) up to ($200,000) annually and could impact the calculation under Article X, Section 18(e).

Officials from the **Missouri Department of Revenue (DOR)** state this proposal would allow a tax credit against a taxpayer's state tax liability equal to fifty percent (50%) of the eligible expenses for establishing an urban farm starting on January 1, 2023 (the effective date of the act). The tax credit cannot be transferred, sold or assigned. The credit is not refundable but can be carried forward the next three years (3). The total amount of credits that can be authorized annually is $200,000. No taxpayer may receive more than $25,000 in credits per each urban farm. DOR assumes the impact to General Revenue would be a loss of Up to the $200,000 that can be authorized annually. The first tax returns claiming the credit will start being filed in January 2024 (FY 2024).

Fiscal Year	Loss to General Revenue
2022	$0
2023	$0
2024	(Up to $200,000)
2025	(Up to $200,000)

This proposal defines an urban farm as a community-run garden but does not include personal farms or residential lots for personal use. Then this proposal adds a provision that requires the taxpayer to repay the tax credit if the urban farm is used for the personal benefit of the taxpayer instead of for producing agricultural products solely for distribution to the public for sale or for donation. Should credits be given out and then someone has used the products in violation of this provision then the credits could result in the recapture of the credit; however, the amount of the recapture is unknown.

DOR assumes this would be a new income tax credit and it would be added to the MO-TC and information about the credit would be added to their website and changes would be needed in their individual income tax system. DOR notes the costs to update these items is $3,596.50. DOR will need the following FTE should the number of credits redeemed justify the FTE.

a) One (1) FTE Associate Customer Service Representative is needed for every 6,000 tax credits redeemed, and
b) One (1) FTE Associate Customer Service Representative is needed for every 7,600 errors/correspondence generated. DOR also anticipates the need for additional equipment and expense for form and system updates.

Oversight notes this proposed legislation states that no taxpayer shall claim a tax credit in excess of twenty five thousand dollars ($25,000). The cumulative amount of tax credits that may be authorized in any calendar year shall not exceed two hundred thousand dollars ($200,000). In addition, the tax credits created shall not be transferred, sold, or assigned. Therefore, Oversight assumes DOR can absorb the responsibilities associated with the new tax credit with existing resources. Should the number of redemptions or the number of errors generated prove to be significant, DOR may seek additional FTE through the appropriation process.

Officials from the **Missouri Department of Agriculture – Missouri Agricultural & Small Business Development Authority (MASBDA)** stated MASBDA does not currently receive funds from General Revenue or Federal sources to administer any programs. All revenues are from fees which pay for MASBDA's administrative costs.

MASBDA assumes that a non-refundable application fee of $100 will be charged to each applicant.

MASBDA states Section 348.080 gives MASBDA the authority to collect fees and charges, as the authority determines to be reasonable, in connection with its loans, advances, insurance, commitments, and servicing.

This is the same application fee for four (4) other MASBDA tax credit programs (New Generation Processing Entity initial application, New Generation Producer/Investor Tax Credit application, Agricultural Product Utilization Contributor contribution application, Qualified Beef Tax Credit application).

MASBDA notes the only program that does not charge the $100 fee is the Family Farm Breeding Livestock Tax Credit program. The program has a review fee of 1% of the family farm loan amount and that fee is under Section 348.500.

MASBDA indicates that each tax credit program has a bank account set up for all administrative/program activities.

MASBDA assumes that the current (5) employees of MASBDA will be sufficient to run this program and no additional equipment will need to be purchased. MASBDA's cost allocation is based on percentage of time spent on each program per fiscal year by employee. Their assumption is that the Urban Farms Tax Credit program will add approximately 8% more program activity for Fiscal Year 2022. Fiscal Year 2023 estimated salary total is $16,466 per Fiscal Note worksheet. Other administrative costs such as office supplies, postage, printing, etc... . are estimated approximately at $1,500 for this new program.

Oversight notes "Eligible Expenses" are defined as "expenses incurred in the construction or development of establishing an urban farm", defined as "an agricultural plot or facility in an urban area that produces agricultural products solely for distribution to the public by sale or donation…; however, "shall not include personal farms or residential lots for personal use."

The fifty percent (50%) tax credit shall not exceed a taxpayer's state tax liability. Any amount of tax credit that exceeds the taxpayer's state tax liability may be carried forward to the next three (3) succeeding tax years.

Oversight notes the Senate Substitute allows for the maximum of $25,000 award to one of the potential applicant, and the total tax credit must not surpass $200,000 annually for the entire program. Therefore, there could be potentially minimum of 8 ($200,000/$25,000) urban farms who could receive the tax credit.

Oversight notes this proposal allows for recapture of tax credits issued in circumstances where the use of the tax credit is deemed for the personal benefit of the taxpayer thus in violation of the act. Therefore, **Oversight** will reflect <u>an unknown saving to the General Revenue</u> in the fiscal note <u>beginning FY 2024.</u>

Oversight will report a revenue reduction to GR by an amount <u>"Up to" $200,000</u> beginning in Fiscal Year 2024. Oversight notes the tax credit program created would sunset December 31st six (6) years after the effective date of this section.

<u>§144.030 Farm Machinery and Utility Vehicle – Sales Tax Exemption (Effective August 28, 2022)</u>

Officials from the **Department of Revenue (DOR)** note this provision modifies the sales tax exemption on farm equipment. Currently farm equipment purchased for use on a farm is exempt from sales tax. A purchaser provides his sales tax exemption certificate to the seller and no sales tax is charged on the purchase if the purchaser says he will use the equipment on his farm. The Department notes this exemption certificate process is not changed by this provision.

This provision adds the definition of utility vehicle to the list of farm equipment that is exempt to clarify what counts as "farm equipment". Questions have arisen as to what counts as farm equipment and this proposal adds language clarifying that utility vehicles are farm equipment. The Department assumes no fiscal impact from the clarifying language.

This provision would no longer require the machinery in question to be used "exclusively" for agricultural purposes. Now, the qualifying machinery would only need to be used for "any" agricultural purpose. These changes could expand the current exemption to include more "dual purpose" items, such as a vehicle, which is used on a farm, but also driven on public roads. The Department believes that this is already happening with equipment that qualifies for the sales tax exemption. Should there be some equipment that was not eligible for the exemption that will now be, this could have a minimal negative impact on the state.

In response to the similar version of the proposal, SB 1152 (2022), officials from the **Office of Administration - Budget and Planning (B&P)** noted Section 144.030.2(22)(a) would add utility vehicles (UTVs) to the farm equipment sales tax exemption. In addition, this section would expand the farm equipment exemption to all vehicles used for any farm activities. B&P notes that the current exemption is for farm equipment used exclusively for farm activities.

Based on information provided by DOR, they believe the sales tax exemption is already being used for UTV purchases and for other motor vehicles that are not actually being used exclusively for farm activities. Therefore, B&P notes this provision may have an unknown, likely minimal, negative impact on MV sales tax funds.

B&P notes this provision will not impact TSR as vehicles sales taxes are explicitly excluded from the TSR calculation. This proposal may impact the calculation under Article X, Section 18(e).

Oversight notes the proposed changes to the current sales tax exemptions could result in additional equipment that was not previously eligible for exemption that would now be exempt under this proposal. DOR and B&P both indicated this could impact state revenues; therefore, Oversight will show a negative impact of an unknown amount. However, based on DOR and B&P's response of "minimal negative impact to the state", **Oversight** will assume the impact would <u>not exceed the $250,000 threshold</u>.

Officials from the **Department of Natural Resources** deferred to the **Department of Revenue** for the potential fiscal impact of this proposal.

In response to the similar proposal, SB 1152, officials from the **Missouri Department of Conservation** noted this proposal would have an unknown fiscal impact but greater than $250,000. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. Any change in sales and use tax collected would affect revenue to the Conservation Sales Tax funds. However, the initiative is very complex and may require adjustments to Missouri sales tax law which could cause some downside risk to the Conservation Sales Tax. The Department assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Oversight notes that the Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution, thus MDC=s sales taxes are constitutional mandates. Therefore, Oversight will reflect the B&P's and DOR's fiscal impact estimates for MDC's funds.

In response to the similar proposal, SB 1152 (2022), officials from the **City of Springfield** anticipates a negative fiscal impact but does not have data regarding the amount of tax presently collected for the items that would become exempt so cannot determine the amount of impact.

Oversight notes some jurisdiction impose certain amount of sales tax on sales of above farm equipment; however, DOR assume this exemption is available to all the buyers currently and this specific section just clarifies the language so all retailers know this specific merchandise is exempt from sales tax. Therefore, **Oversight** will note zero impact to the local political subdivisions.

§260.221 & 644.060 - Recycled Asphalt Shingles (Effective August 28, 2022) with SA 1 & SA 2

Officials from the **Department of Natural Resources** assumed the proposal would have no fiscal impact on their organization.

Oversight notes the **SA 1** is used as a clarification language where asphalt shingles shall not be used for such purposes below surface level and closer than fifty feet above the water table.

Oversight notes that **SA 2** is used as clarification of how to properly use asphalt shingles and specifies that they should not be used for such purposes within five hundred feet off any lake, river, sinkhole, perennial stream, or ephemeral stream.

Oversight notes the SA 1 and SA 2 will not fiscally impact above agency. Therefore, **Oversight** will note zero impact in the fiscal note for above amendments.

Oversight notes that the above mentioned agency has 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.

§275.357 Soybean Check-off program (Effective with Emergency Clause)

In response to a similar proposal, 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 assumed this provision would 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.

§301.010, 301.062, 304.180 & 304.240 – Log Truck (effective August 28, 2022)

Officials from the **Department of Revenue (DOR)** state to implement the proposed legislation, they will be required to:

• Update procedures, correspondence letters, forms, and the Department website.

FY 2023 – Motor Vehicle Bureau
Lead Administrative Support Assistant 4 hrs @ $14.83 per hr. = $59
Associate Research/Data Analyst 20 hrs @ $18.87 per hr. = $377
Administrative Manager 5 hrs @ $25.56 per hr. = $128
Total = $564

FY 2023 – Communications Bureau
Associate Research/Data Analyst 10 hrs @ $18.87 per hr. = $189
Research/Data Assistant 10 hrs @ $23.55 per hr. = $235
Total = $424

Total Costs $988

DOR anticipates that they will be able to absorb these costs and that there will be No Impact. If multiple bills are passed that require Department resources, FTE may be requested through the appropriations process.

Oversight has no information to the contrary and assumes DOR will use existing staff and will not hire additional FTE to conduct these activities; therefore, Oversight will not reflect the administrative costs DOR has indicated on the fiscal note.

DOR notes OA-ITSD services will be required at a cost of **$8,926** in FY 2023 (93.95 hours x $95 per hour).

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the OA-ITSD costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Officials from the **Missouri Department of Transportation** and **Missouri Highway Patrol** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight notes §304.240.2 creates a special carve out fine for local log trucks for load-limit violations. The current fine and proposed fine are:

Current			Proposed	
excess weight	Fine		excess weight	Fine
Up to 500 lbs.	$.02 / lb		Up to 5,000 lbs.	$.10 / lb
500 - 1,000 lbs	$.05 / lb		5,000 - 10,000 lbs	$.20 / lb
above 1,000 lbs.	$.10 / lb		above 10,000 lbs.	$.50 / lb

Oversight notes the fine per pound has increased with this proposal, potentially increasing fine revenue to local school districts. However, the definition of Local Log Truck (and the weight limit dimensions) has also changed. Oversight is unsure how the changes will impact load limits. Therefore, **Oversight** will reflect a potential impact to fine revenue to school districts as positive unknown (higher fine per pound charged) to a negative unknown (specified weight distribution and maximum weight per truck changes may reduce number of tickets/convictions).

Oversight notes the following misdemeanor guilty dispositions were processed by the Office of the State Courts Administrator for charge codes §304.180 – §304.220 in the previous three years (Although, Oversight has no information regarding how many of these are for local log trucks):

FY 2021	3,212
FY 2020	3,995
FY 2019	1,270

<u>§348.436 Agricultural Production Tax Credits and Utilization and New Generation Cooperative Tax Credits (Effective with Emergency Clause)</u>

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 they 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).

In response to the previous version of the proposal, 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.

Section 348.491 & 348.493 – Specialty Agriculture Crops Act Tax Credit

In response to a similar proposal, HCS HB 2720 (2022), officials from the **Office of Administration – B&P** noted:

The proposal would create the specialty agricultural crops loan program. A family farmer with less than $100K in gross sales per year can apply for a loan up to $35K for up to 90% of the anticipated cost of the purchase of specialty crop seeds, seedlings or trees and other supplies and equipment needed for producing specialty crops - fruits and vegetables, tree nuts, dried fruits, and horticulture and nursery crops including, but not limited to, floriculture. Each family farmer is limited to one loan per family. The farmer shall be not charged interest on the loan for the first year.

The program would be managed by the Missouri Agricultural and Small Business Development Authority (MASBDA), who may impose a one-time loan review fee of one percent, which shall be collected by the lender at the time of the loan and paid to the authority. These fees go directly to the authority, not the state treasury.

The total amount of loans is not restricted, however the lender tax credits proposed in Section 348.493 below are restricted to $300K. According to MASBDA, agriculture loans are typically made at higher interest rates than a home mortgage or vehicle. They estimate interest rates for the loans associated with this program could be from 5% - 10%.

• 5% rate: The potential loans would be up to $6M ($300,000 = .05x; x = $300,000/.05) and potential fees would be up to $60K ($6M x 1%).
• 10% rate: The potential loans would be up to $3M ($300,000 = .10x; x = $300,000/.10) and potential fees would be up to $30K ($3M x 1%).

Therefore, the fees generated could range from $0 to $60,000 annually.

This provision could impact the calculation under Article X, Section 18(e) between ($0) and ($60,000) annually beginning in FY24.

This would create a tax credit against a lenders income tax liability. The tax credit would be equal to 100% of the amount of interest waived by the lender in the first year of loans extended under the specialty agricultural crops loan program established in section 348.491 above. Tax credits issued in a fiscal year shall not exceed $300K and may be claimed quarterly to apply to estimated quarterly tax. The credit shall not be refunded, but may be carried over for 3 years. It may be assigned, transferred, sold or conveyed.

This provision could reduce general and total state revenue between ($0) and ($300,000) annually, beginning in FY24.

Oversight notes the B&P assumes the proposal will have a direct fiscal impact to the General Revenue Fund. Oversight notes the proposal allows for up to $300,000 lenders tax credit. Therefore, **Oversight** will reflect the B&P estimated impact to the GR in the fiscal note.

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

This provision creates a tax credit for the lenders in the Specialty Crops Act. No start date is listed for the tax credit so it is assumed it will start August 28, 2022 (FY 2023). The tax credit is equal to 100% of the interest waived in the first year the loan is made. The lender must apply to the Missouri Agricultural and Small Business Development Authority for approval of the credit. Once approved they will receive a certificate that will need to be submitted with their tax return for the redemption of the tax credit.

This proposal limits the amount of all tax credits issued in a single year to $300,000. While the credit cannot be refunded it is allowed to be carried forward three years or transferred or assigned.

The Department notes this will be a loss to general revenue of up to the $300,000 cap annually.

This is a new tax credit that would need to be added to the MO-TC form. Programming updates, website updates and form updates are estimated to cost $3,596.

The Department notes this proposal requires the taxpayer to present a certificate of tax credit to the Department when they redeem their credit. The proposal also indicates that the Department will note on the certificate the amount of credit redeemed and the date redeemed. It should be noted that tax credits issued by agencies are currently entered into the central tax credit system (CMS). The agency enters into CMS the date of issuance of the credit, the amount of credit and the contact information of the person that receives the tax credit. The Department upon receipt of a claim for the redemption of the credit, reviews the system to determine if the credit is being claimed by the correct person and enters into the system the date of redemption and amount redeemed. The CMS system maintains the outstanding balance of all credits. It is assumed that since this system exists, the Department would use it instead of doing the manual marking system requested by this proposal. Should the Department be required to process these tax credits differently than all the other credits this could result in additional unknown costs. **Oversight** assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

In response to a similar proposal, HCS HB 2720 (2022), officials from the **Missouri Department of Agriculture (MDA)** assumed the proposal would have no fiscal impact on their organization.

Oversight notes **MDA** provided further information, via e-mail, as follows:

The family farmer has to obtain approval for the specialty agricultural crop loan from the lender and the lender then submits the specialty agricultural crop tax credit application to Missouri Agricultural and Small Business Development Authority. MASBDA staff and commissioners would review and either approve or disapprove the application. During the review, MASBDA determines if the family farmer does qualify as farming specialty crop. If the application is approved, the family farmer would have their first year loan interest waived and at the anniversary of the first year, the lender is eligible to receive a tax credit up to the amount of the first year interest that was approved by MASBDA when the application was approved.

Oversight notes that according to the U.S. Census of Agriculture - Missouri (2017), data regarding Special Crops, there were 3,654 existing farms involved in cultivation of such a harvest. The breakdown is shown below:

- Vegetables – 1449
- Orchards – 1359
- Berries – 846

Total – 3,654

Oversight notes the proposal limits this loan opportunity only to those farms with annual gross sales below $100,000. According to the MDA website there are currently 95,000 farms in Missouri.

Oversight notes, using U.S. Census of Agriculture (2017) data for Missouri (see table 1), that there are currently about 81,851 farms which would potentially qualify for this program. The data regarding Special Crop Farms, above, does not specify the annual sales produced by each farm (above or below $100,000). However, Oversight notes that using MDA and U.S. Census for Agriculture there could be potentially about 86% (81,851 / 95,000) of all Special Crop Farms (from 3,654) making below the $100,000 limit. This would represent about 3,142 farms currently harvesting special crops and potentially eligible for the up to $35,000 loan.

Table 1.

Range	Low	High	Total Farms in Missouri in $100,000 range	Low	High
Less than	$ 100	$ 999	17,281	$ 1,728,100	$ 17,281,000
$1,000 to $	$ 1,000	$ 2,499	8,914	$ 8,914,000	$ 22,276,086
$2,500 to $	$ 2,500	$ 4,999	9,754	$ 24,385,000	$ 48,760,246
$5,000 to $	$ 5,000	$ 9,999	12,529	$ 62,645,000	$ 125,277,471
$10,000 to	$ 10,000	$ 24,999	14,949	$ 149,490,000	$ 373,710,051
$25,000 to	$ 25,000	$ 49,999	11,112	$ 277,800,000	$ 555,588,888
$50,000 to	$ 50,000	$ 99,999	7,312	$ 365,600,000	$ 731,192,688
Total			**81,851**	**$ 890,562,100**	**$ 1,874,086,430**

U.S. Census of Agriculture - Missouri (2017)

Oversight notes Section 348.491 allows for one time maximum loan of $35,000 per such a farm. The lender is than required to forgive first year interest on such a loan.

Oversight notes that Section 348.491. 8 says: "The authority may impose a one-time loan review fee of one percent, which shall be collected by the lender at the time of the loan and paid to the authority." According to Missouri Agricultural and Small Business Development Authority (MASBDA), agriculture loans are typically made at higher interest rates than a home mortgage or vehicle. MASBDA estimate interest rates for the loans associated with this program could range from 5% to 10%. For informational purposes, **Oversight** will assume the maximum loan amount of $35,000 is borrowed at 5% for 10 years. The simple amortization of the loan would show principle payment of $1,687 to be forgiven in first year, per each borrower, as shown in Table 2 below:

Table 2.

Month	Beginning Balance	Interest	Principal	Ending Balance
1	$35,000.00	$145.83	$225.40	$34,774.60
2	$34,774.60	$144.89	$226.34	$34,548.27
3	$34,548.27	$143.95	$227.28	$34,320.99
4	$34,320.99	$143.00	$228.23	$34,092.77
5	$34,092.77	$142.05	$229.18	$33,863.59
6	$33,863.59	$141.10	$230.13	$33,633.46
7	$33,633.46	$140.14	$231.09	$33,402.37
8	$33,402.37	$139.18	$232.05	$33,170.32
9	$33,170.32	$138.21	$233.02	$32,937.30
10	$32,937.30	$137.24	$233.99	$32,703.31
11	$32,703.31	$136.26	$234.97	$32,468.34
12	$32,468.34	$135.28	$235.95	$32,232.40
First Year Interest Total	**Year 1 end**	**$1,687.13**		

Oversight notes that the maximum tax credit allowable for lenders, under the proposal is $300,000 annually. To cover the forgone interest maximum it would allow for a 177 ($300,000 / $1687) potential borrowers (family farms) to obtain this loan before the lenders begin to surpass the allowable maximum of $300,000 in tax credits.

Therefore, **Oversight** will show the potential gain in revenue, from the collection of the 1% in fees to the MDA Fund, as a range from less or more of higher amount of $61,950 if the lender applies 5% interest for the loans (177 potential - borrowers x $350 – 1% application fee).

Lastly, this bill ensures that "specialty crops" do not include medical marijuana or industrial hemp and the eligible purchases do not include nonchemical pesticides and herbicides.

348.500 Family Farms Act (Effective with Emergency Clause)

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

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.

Livestock Type	Current Loan Amt.	New Proposed Loan Amt.
Beef Cattle	$ 75,000.00	$ 150,000.00
Dairy Cattle	$ 75,000.00	$ 150,000.00
Swine	$ 35,000.00	$ 70,000.00
Sheep + Goats	$ 30,000.00	$ 60,000.00

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

In response to a similar proposal, officials from the **Office of Administration – Budget & Planning (B&P)** assumed 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 <u>Fiscal Year 2023</u>.

<u>Sections 620.3500, 620.3505, 620.3510, 620.3515, 620.3520, 620.3525 & 620.3530 "Missouri Rural Workforce Development Act" with SA 3, SA 5, SA 1 to SA 5, and SA 7</u>

In response to the similar proposal, SB 465 -2021, officials from the **Office of Administration – Budget & Planning Division (B&P)** stated this proposed legislation would create a tax credit for taxpayers making a capital investment in a rural fund against such investor's state tax liability. The tax credit shall be equal to a proportion of their investment into the rural fund. There is a cap of $16 million that can be redeemed each calendar year; therefore, Total State Revenue (TSR) could be reduced by up to $16 million. The tax credit has a five (5) year carry forward; therefore, in any particular calendar year, more than $16 million may be redeemed.

In addition, a rural fund that seeks to have an equity investment certified as a capital investment eligible for credits shall pay a nonrefundable application fee of five thousand dollars ($5,000) to the Missouri Department of Economic Development. B&P assumes this money would be deposited into the General Revenue Fund (GR). Therefore, GR could be increased by an unknown amount. There is not enough available data for B&P to estimate the potential revenues.

The rural fund could be subject to a penalty. B&P assumed this money would be deposited into GR. Therefore, GR and TSR could be increased by an unknown amount.

This proposal could impact the calculation pursuant to Art. X, Sec. 18(e).

Officials from the **Missouri Department of Economic Development (DED)** stated this proposed legislation shall be known as the Missouri Rural Workforce Development Act.

This proposed legislation requires DED to accept applications from "rural funds" that seek to have an equity investment certified as a "capital investment" eligible for tax credits.

DED notes a "Rural Fund" is any entity certified by DED under this proposed legislation. A " Capital Investment" is an investment in a rural fund by a rural investor that is acquired after the effective date of this proposed legislation at its original issuance solely in exchange for cash, has one hundred percent (100%) of its cash purchase price used by the rural fund to make qualified investments in eligible businesses located in this state by the third anniversary of the initial credit allowance date, and is designated by the rural fund as a capital investment and certified by DED as a capital investment.

DED notes, upon making a capital investment, a rural investor shall have a vested right to a credit against the investor's state tax liability in an amount equal to the applicable percentage for such credit allowance date multiplied by the purchase price paid to the rural fund for the capital investment. DED states that no eligible business that receives a qualified investment, or any affiliates of such eligible business, shall directly or indirectly own or have the right to acquire an ownership interest in a rural fund.

DED notes that no new applications can be accepted after 12/31/32.

DED states there is an annual program cap of twenty five million dollars ($16,000,000). DED anticipates the need to hire two (2) FTE Economic Development Specialists to administer the program created.

Oversight will include DED's FTE costs, as reported by DED, less the costs reported for in-state and out-of-state travel, as this proposed legislation does not require DED to inspect or audit any site(s).

Officials from the **Missouri Department of Revenue (DOR)** note this proposal would add new sections 620.3500 to 620.3530, known as the "Missouri Rural Workforce Development Act." It would be administered by DED. DOR is not mentioned in the proposal, but would be responsible for processing the tax credits claimed by taxpayers on returns and coordinate, as necessary, with DED.

Section 620.3515 sets the annual cap for the tax credit at $16 million. The credits are not refundable or sellable.

Section 620.3520 - Authorizes the tax credit, not exceeding the amount of the rural investor's income tax for the year in which the credit is claimed. Unused portions of the credit may be carried forward to the next five tax years but may not be carried back.

SA 3 - Section 620.3520.3 - Sets forth the circumstances under which DED **shall** recapture from a rural investor that claimed the credit.

SA 5 – Section 620.3505 – the amendment insert language that eligible business shall not employ any individual who is **unlawfully present** in this country.

SA 1 to SA 5 the amendment insert language that eligible business shall not **knowingly** employ any individual who is **unlawfully present** in this country.

SA 7 – Section 620.3505 ensures that the rural area, is noted as any county of this state that is set out in the United States Department of Agriculture census 6 places map as published by the United States Department of 7 Agriculture with a census place population of less than 8 fifty thousand inhabitants;

620.3520.4 - provides that recaptured credits are to be re-distributed, pro rata, to credit applicants whose allocations were previously reduced.

DOR assumes that DED would notify DOR of any recaptured credits. DOR would then recalculate the taxpayer's return and bill the taxpayer for any shortcomings. Therefore, DOR assumes they could absorb this duty with existing staff should it be necessary for DED to do a recapture of credits.

This proposal would become effective on August 28, 2022. This proposal states that a capital investment is any equity investment in a rural fund by a rural investor and that investment must be made AFTER the effective date of this proposal. After August 28, 2022 potential investors could make the required investments and then file an application with DED along with a $5,000 application fee. Upon certification by DED, the investors would be eligible to receive the tax credit for the six credit allowance dates. Those credit allowance dates are the date of certification and each of the five anniversary dates thereafter. Based on the requirements of the investment, for fiscal note purposes they assume the first date of certification will be January 1, 2023.

This proposal states the tax credit is based on an applicable percentage of the investment. The percentage for the first two years is zero (0%) and each of the next four years the percentage is fifteen percent (15%). Therefore with a certification date of January 1, 2023, the first two years no credits would be issued. Starting January 1, 2025 the first credits would be issued. They could potentially (depending on when issued) be redeemed in that same year. See example:

Example: A taxpayer qualifies for a $1 million dollar investment on January 1, 2023. Here is the estimated amount of credit received and when.

YEAR	CREDIT ALLOWANCE DATE	CREDIT AMOUNT
1/1/2023	1	$0
1/1/2024	2	$0
1/1/2025	3	$150,000 ($1,000,000 x 15%)
1/1/2026	4	$150,000 ($1,000,000 x 15%)
1/1/2027	5	$150,000 ($1,000,000 x 15%)

This will be a loss to general revenue of up to the $16 million annually starting in FY 2025.

This would be a new income tax credit and it would be added to the MO-TC and information about the credit would be added to their website and changes would be needed in their individual income tax system. DOR notes the costs to update these items is $3,596.50. DOR will need the following FTE should the number of credits redeemed justify the FTE.

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

Officials from the **Missouri Department of Commerce and Insurance (DCI)** anticipate a potential unknown decrease of premium tax revenues (up to the tax credit limit established in the bill) as a result of the creation of the Missouri Rural Workforce Development Act tax credit. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year and which insurers will qualify for the tax credit.

DCI will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, DCI may need to request more expense and equipment appropriation through the budget process.

Oversight notes this proposed legislation would award tax credits to rural investors who have made an equity investment in a rural fund so long as such equity investment is later certified, by the Missouri Department of Economic Development, as a capital investment.

In order for an equity investment to be certified as a capital investment, a rural fund must apply with the Missouri Department of Economic Development to have the equity investment certified as a capital investment. The applicant must complete an application including the amount of capital investment requested, a copy of the applicants, or the affiliate of the applicant's, license as a Rural Business Investment Company (RBIC) under 7 U.S.C. Section 2009cc (U.S.D.A Rural Business Investment Program) or as a Small Business Investment Company (SBIC) under

15 U.S.C. Section 681 (SBA Small Business Investment Program), evidence that the applicant or affiliates of the applicant have invested at least one hundred million dollars ($100,000,000) in nonpublic companies located in counties within the United States with a population of less than fifty thousand, a business plan that includes a revenue impact assessment, and a nonrefundable application fee of $5,000.

Per the Small Business Investment Company Program Overview, as of September 30, 2021, there were approximately 307 privately owned and managed SBA licensed SBICs.

Table 1: Program Composition of the Types of Operating SBICs

Type of Operating SBICs	FY End 2017	FY End 2018	FY End 2019	FY End 2020	FY End 2021
Total Number of Type of Operating SBICs	**315**	**305**	**300**	**302**	**307**
Number of Debenture SBICs	227	227	224	232	235
Number of Participating Security SBICs	33	25	22	12	9
Number of Bank-Owned or Non-Leveraged SBICs	47	47	48	52	56
Number of Specialized SBICs	8	6	6	6	7

Per correspondence received from the United States Department of Agriculture in February 2021, there are approximately 10 certified RBIC's. In addition, there have been four (4) investments made in Missouri totaling almost $12,000,000.

Oversight assumes SBICs and RBICs are nationally oriented; various companies may focus on specific regions but no one entity is specific to the State of Missouri.

Oversight notes this proposed legislation states that a capital investment is any equity investment in a rural fund by a rural investor which, is acquired **after** the effective date of this proposed legislation.
Oversight notes this proposed legislation would require applicants under this proposed legislation to submit an application to the Missouri Department of Economic Development accompanied with a nonrefundable $5,000 application fee.

Oversight notes this proposed legislation does not specifically state where the application fee(s) shall be deposited. For the purpose of this fiscal note, Oversight will assume such application fee(s) will be deposited into GR.

Oversight notes the Missouri Department of Economic Development shall begin accepting applications ninety days after the effective date of this proposed legislation. Therefore, Oversight assumes applications, accompanied with the nonrefundable fee of $5,000 could be submitted as early as Fiscal Year 2023.

Therefore, **Oversight** will report a revenue gain to GR equal to $0 (no applications/fee(s) submitted) or $5,000 (one application/fee is submitted) up to $1,585,000 ($5,000 * (307 (# of SBICs) + 10 (# of certified RBICs)) beginning in Fiscal Year 2023.

Oversight notes, once an equity investment is certified as a capital investment, the rural investor shall have a vested right to a tax credit to be issued to be used against the rural investor's state tax liability that may be utilized on each credit allowance date of such capital investment in an amount equal to the applicable percentage for such credit allowance date multiplied by the purchase price paid to the rural fund.

Oversight, then, assumes the following example describes a tax credit allocation under this proposed legislation:

If Company A were to have $100,000,000 certified as a capital investment on January 1, 2023, Company A's credit allowance date(s) would be: January 1, 2003 (0%), January 1, 2024, (0%) January 1, 2025 (15%), January 1, 2026 (15%), January 1, 2027(15%), and January 1, 2028 (15%).

Oversight assumes, then, Company A would **not** receive a tax credit (a tax credit equal to zero percent (0%) multiplied by the amount certified as a capital investment) on January 1, 2023 and January 1, 2024.

Each January thereafter, with the last January being January 1, 2028, Company A would receive a tax credit equal to fifteen percent (15%) of the amount certified as a capital investment; or $15,000,000.

Oversight assumes, then, Company A would receive a **total** of $60,000,000 in tax credits over the course of six (6) years to be used throughout a total of eleven (11) years.

Oversight notes the Missouri Department of Economic Development shall begin accepting applications ninety days after the effective date of this proposed legislation. Therefore, Oversight assumes applications could be submitted as early as Fiscal Year 2023.

Oversight assumes, then, based on the tax credit allocation equation created under this proposed legislation, a rural investor could receive a tax credit in an amount greater than zero ($0) beginning two (2) years after the initial certification date; Fiscal Year 2025.

Therefore, **Oversight** estimates the tax credit provision of this proposed legislation could result in a revenue reduction equal to $0 (no certified capital investments) up to $16,000,000 (tax credit authorization cap) beginning in Fiscal Year 2025.

Oversight notes this proposed legislation would allow for the recapture of tax credits issued to taxpayers provided rural fund(s) do not meet the requirements established in this proposed legislation.

Oversight notes this proposed legislation states that recaptured tax credits would be reverted to the Missouri Department of Economic Development and be reissued to applicants whose capital investment allocations were reduced in accordance with the application process (authorization cap).

Oversight further notes this proposed legislation does not specifically state where the payment of recaptured tax credits would be deposited. For the purpose of this fiscal note, Oversight will assume recaptured tax credit payments will be deposited into GR with the assumption that the Missouri Department of Economic Development will be distributed the funds for further tax credit authorization(s).

Oversight notes tax credits authorized may be recaptured as early as the third anniversary date. Therefore, Oversight assumes this could be as early as Fiscal Year 2025.

Oversight is unable to determine the actual fiscal impact of the tax credit recapture provision. Therefore, for the purpose of this fiscal note, Oversight will report a revenue gain equal to "$0 to Unknown" and a revenue reduction equal to "$0 or Unknown" beginning in Fiscal Year 2025.

Oversight notes the provisions of this proposed legislation state the Missouri Department of Economic Development shall not accept any new applications for tax credits after December 31, 2032.

In response to a similar proposal, SB 905 (2022), officials from the **Department of Labor and Industrial Relations**, **Higher Education and Workforce Development**, **Missouri Department of Agriculture**, **Office of the State Treasurer**, **Office of the State Courts Administrator**, **State Tax Commission**, and the **University of Missouri System** each assumed the proposal would 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 these agencies. Officials from the City of Kansas City and City of Springfield both Officials 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 these agencies.

Section 137.1018 Rolling Stock Tax Credit (Effective August 28, 2022) SA 4

Officials from the **Missouri Department of Revenue (DOR)** state the Rolling Stock Tax Credit sunset on August 28, 2020. This proposed legislation extends the sunset date of the Rolling Stock Tax Credit to August 28, 2028.

DOR indicates that the General Assembly appropriated the following amounts for the Rolling Stock Tax Credit:

Fiscal Year	Appropriation
2010	$4,000,000 - Governor Line Item Vetoed
2015	$2,000,000 - Governor Line Item Vetoed
2016	$300,000
2017	$600,000 - Governor Restricted $300,000
2018	$0
2019	$0
2020	$200,000

DOR states the extension of the sunset of this program is not expected to have a fiscal impact on DOR. Since this tax credit is appropriated, it would not have a fiscal impact unless the General Assembly votes to appropriate money to it.

Lastly, DOR states the Department has forms and computer programs set up to handle this credit and 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 based on the amount appropriated.

Officials from the **Office of Administration – Budget & Planning (B&P)** assume the proposal renews the expired Rolling Stock tax credit beginning August 28, 2022. B&P notes that while this proposal would begin in FY23, it will not impact state revenues unless and until an amount for the credit is appropriated by the General Assembly.

The B&P estimates that this proposal could reduce GR and TSR by $0 (low appropriation amount) to $4,000,000 (high appropriation amount) annually beginning in FY23.

Officials from the **Missouri State Tax Commission (STC)** assume the proposal would have resulted in an unknown fiscal impact on state revenues as the proposed legislation extends a tax credit subject to the appropriation process. The Rolling Stock Tax Credit provides that, subject to appropriation, a freight line company could receive a property tax credit for expenses incurred to manufacture, maintain, or improve their qualified rolling stock in the State of Missouri, up to the amount of their property tax liability.

This tax credit is not refundable and is subject to an annual appropriation. Since authorized in 2009, the tax credit has been funded three (3) times: 2016 ($291,000), 2017 ($291,000) and 2020 ($194,000). STC notes, though, that the General Assembly has appropriated greater budget appropriations that were later reserved or restricted. STC notes, in 2016, the total eligible expenses of the nearly one hundred (100) private car companies totaled $23,372,795.

However, officials from the STC assume 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 in the fiscal note for the STC.

Oversight notes the Rolling Stock Tax Credit provides an economic incentive to have private rail cars manufactured, maintained, and improved in the State of Missouri.

Additionally, the tax credit is subject to appropriation, a freight line company could receive a **property tax credit** for expenses incurred to manufacture, maintain, or improve their qualified rolling stock in the State of Missouri, up to the amount of the freight line company's property tax liability. The State of Missouri will then reimburse counties for any loss in property tax revenue resulting from utilization of the tax credit.

Oversight notes private care companies' assessed values are certified by the Missouri State Tax Commission and then reported to the Missouri Department of Revenue for billing and central collection. The property taxes collected by the Missouri Department of Revenue (less one percent (1%) for the cost of collection, which is deposited into the General Revenue Fund) are deposited into the County Private Car Tax Trust Fund. The funds within the County Private Car Fund are distributed to the counties of Missouri after six tenths of one percent (0.6%) is transferred to the Blind Pension Fund. The distribution is based on each county's percentage of main track line to the aggregate total of the state.

Oversight's policy is to show the extension of the tax credit program in the fiscal note. Oversight notes the Rolling Stock Tax Credit expired on August 28, 2020. Oversight notes this proposed legislation extends the expiration date to August 28, 2028.

Oversight assumes this proposed legislation would go into effect August 28, 2022. Oversight notes that taxpayers who are awarded the Rolling Stock 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 expiration date of this tax credit program beginning in Fiscal Year 2023. Oversight notes, per the three (3) most recent Tax Credit Analyses received from the Missouri Department of Revenue, the Rolling Stock Tax Credit recognized the following activity:

Rolling Stock Tax Credit							
Fiscal Year	2016	2017	2018	2019	2020	2021 (Year To Date)	2022 (Budget Year)
Amount Authorized	$291,000	$291,000	$0	$0	$0	$0	$0
Amount Issued	$291,000	$291,000	$0	$0	$0	$0	$0
Amount Redeemed	$291,000	$291,000	$0	$0	$0	$0	$0

Oversight notes the five (5) year average (2016 – 2020) amount of Rolling Stock Tax Credit(s) *issued* equals $116,400.

Oversight notes the Rolling Stock Tax Credit recognized the following appropriation history:

Fiscal Year(s)	**General Assembly Appropriated**	**Amount Vetoed/Reserved/Restricted**	**Tax Credit(s) Available**	**Tax Credit(s) Issued**
2010	$3,000,000	($3,000,000)	$0	$0
2011-2014	$0	$0	$0	$0
2015	$2,000,000	($2,000,000)	$0	$0
2016	$300,000	($9,000)	$291,000	$291,000
2017	$600,000	($309,000)	$291,000	$291,000
2018	$0	$0	$0	$0
2019	$1	$0	$1	$0
2020	$200,000	($6,000)	$194,000	$0

Oversight's policy is to show the extension of the tax credit program in the fiscal note.

For additional information regarding the Rolling Stock tax credit program, please refer to the Oversight Division's sunset review performed in 2019.
https://www.legislativeoversight.mo.gov/oversight/Sunset_Reviews/Rolling.pdf

For purposes of this fiscal note, **Oversight** will report a revenue reduction to General Revenue (GR) equal to a range, beginning at $0 (no appropriation is made for the Rolling Stock Program) "up to or could exceed" $291,000 (highest final approved budget authority to date, future appropriations could be larger) beginning in Fiscal Year 2023.

Officials from the **City of Kansas City** 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 this city.

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

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

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

In response to a similar proposal, **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).

In response to a similar proposal, officials from the **Office of Administration – Budget & Planning** and **Department of Revenue**, and the **Office of State Treasurer** each assumed this specific section would not have a direct impact on their respective organizations.

Overall Bill

In response to a similar proposal, officials from the **Department of Elementary and Secondary Education**, the **Department of Higher Education and Workforce Development**, the **Department of Mental Health**, the **Department of Public Safety (Alcohol & Tobacco Control, Director's Office, Gaming Commission, National Guard, Highway Patrol, Veterans Commission, State Emergency Management Agency**), the **Department of Social Services**, the **Missouri Department of Transportation**, the **Missouri House of**

Representatives, the **State Tax Commission and the City of Claycomo** 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.

Oversight notes that Senate Amendments 1, 2, 3, 4, 5, SA 1 to 5, and 7 will not add fiscal impact to the Senate Substitute.

Rule Promulgation

In response to a similar proposal, officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to a similar proposal, officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

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.5-8	($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.8-9	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.9-13	$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.13-16	$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.15			
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
Revenue Reduction – Section 135.778 – Tax Credit for Producers of Biodiesel - p.16-18	$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.17	Could exceed ($10,000)	$0	$0
Cost – Section 135.1610 Urban Tax Credits - p.18-21	$0	Up to ($200,000)	Up to ($200,000)

Revenue Gain – Section 135.1610.6 Recapture of the tax credits - p.19-21	$0	(Unknown)	(Unknown)
Revenue Loss - §144.030 Modification of Farm Equipment Sales Tax Exemption - p.21-23	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction – Section 348.436 – Extension of Expiration Date For Agricultural Product Utility Contributor Tax Credit & New Generation Cooperative Incentive Tax Credit - p.25-27	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 348.493.2 – Special Crop Lenders Tax Credit - p.27-31	Up to ($300,000)	Up to ($300,000)	Up to ($300,000)
Cost - Section 348.500 - Increase in issuance of tax credits for the Family Farm Breeding Livestock tax credit program - p.32-33	(Less than $100,000)	(Less than $100,000)	(Less than $100,000)
Revenue Gain- Section 620.3510 – Nonrefundable Application Fee of $5,000 - p.38	$0 or $5,000 up to $1,585,000	$0 or $5,000 up to $1,585,000	$0 or $5,000 up to $1,585,000
Revenue Reduction – Section 620.3515 – Tax Credit For Certified Capital Investment(s) - p.34-40	$0	$0	$0 up to ($16,000,000)
Revenue Gain – Transfer In – Section 620.3520 SA 1 to SA 5 (Shall) – Recapture of Tax Credits From Rural Investor - p.34-40	$0	$0	Unknown
Revenue Loss – Transfer Out – Section 620.3520 – Recaptured Tax Credits (Re)Allocated to Missouri Department of Economic Development - p.34-40	$0	$0	(Unknown)

Cost – Section(s) 620.3510, 620.3515 & 620.3520 – DED - p.34-40			
Personnel Services	($86,235)	($105,552)	($107,663)
Fringe Benefits	($53,567)	($64,975)	($65,683)
Equipment & Expense	($30,265)	($11,416)	($11,644)
Total Cost	($170,067)	($181,943)	($184,990)
FTE Change – DED	2 FTE	2 FTE	2 FTE
Revenue Reduction – SA 4 - Section 137.1018 Extension of Rolling Stock Tax Credit Program - p.40-43	$0 up to or could exceed ($291,000)	$0 up to or could exceed ($291,000)	$0 up to or could exceed ($291,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**($6,170,961) Up to ($13,426,475)**	**($11,794,978) Up to ($38,650,850)**	**($11,801,283) Up to ($54,657,155)**
SCHOOL DISTRICT TRUST FUND			
Revenue Loss - §144.030 Modification of Farm Equipment Sales Tax Exemption - p.21-22	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**(Unknown)**	**(Unknown)**	**(Unknown)**
PARKS AND SOILS STATE SALES TAX FUNDS			
Revenue Loss - §144.030 Modification of Farm Equipment Sales Tax Exemption - p.21-22	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS	**(Unknown)**	**(Unknown)**	**(Unknown)**

CONSERVATION COMMISSION FUND - p.21-23			
Revenue Loss - §144.030 Modification of Farm Equipment Sales Tax Exemption - p.21-22	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**(Unknown)**	**(Unknown)**	**(Unknown)**
MISSOURI DEPARTMENT OF AGRICULTURE DEVELOPMENT FUND			
Revenue Gain – 1% Application review fee - p.32	Up to $61,950	Up to $61,950	Up to $61,950
ESTIMATED NET EFFECT ON THE MISSOURI DEPARTMENT OF AGRICULTURE DEVELOPMENT FUND	**Up to $61,950**	**Up to $61,950**	**Up to $61,950**
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.43-44	$33,833	$40,600	$40,600
Revenue Section 643.245 - DNR - tonnage fees for agricultural retailers of anhydrous ammonia - p.43-44	$240,430	$288,516	$288,516
Revenue – Section 643.079.10-DNR - $5,000 annual registration fees for	$0 to Unknown	$0 to Unknown	$0 to Unknown

distributors or terminal facilities - p.43-44			
Cost – DNR - Section 643.079 - p.43-44			
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 - p.43-44	($20,000)	$0	$0
ESTIMATED NET EFFECT ON THE NATURAL RESOURCES PROTECTION FUND	**Could exceed $61,853**	**Could exceed $105,735**	**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
LOCAL POLITICAL SUBDIVISIONS			
Revenue Loss - §144.030 Modification of Farm Equipment Sales Tax - p.21-23	(Unknown)	(Unknown)	(Unknown)
Revenue Gain or Loss - §301.010, 301.162, 304.180, 304.240 - Fine Revenue –from the changes in the proposal - p. 25	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**Unknown to (Unknown)**	**Unknown to (Unknown)**	**Unknown to (Unknown)**

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This proposal modifies provisions related to agricultural economic opportunities.

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.

SOURCES OF INFORMATION

Department of Revenue
Office of the Secretary of State
Joint Committee on Administrative Rules
Department of Elementary and Secondary Education
Department of Higher Education and Workforce Development
Department of Mental Health
Department of Public Safety
Alcohol & Tobacco Control
Director's Office
Gaming Commission
National Guard
Highway Patrol
Veterans Commission
State Emergency Management Agency
Department of Social Services
Missouri Department of Transportation
Missouri House of Representatives
State Tax Commission

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