

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2107H.01P  
 Bill No.: Perfected HB 948  
 Subject: Taxation and Revenue - General; Tax Credits; Tax Incentives; Taxation and Revenue - Income; Revenue, Department of; Economic Development; Food  
 Type: Original  
 Date: March 9, 2021

Bill Summary: Extends the sunset of tax credits for agricultural purposes.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue Fund*	(\$740,000) or up to (\$6,000,000) depending on appropriation	Up to (\$4,562,313) to (\$14,000,000)	Up to (\$4,562,313) to (\$14,000,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$740,000) or up to (\$6,000,000) depending on appropriation</b>	<b>Up to (\$4,562,313) to (\$14,000,000)</b>	<b>Up to (\$4,562,313) to (\$14,000,000)</b>

\*Oversight notes the range in the reported impacts stem from the continuation of expired (Wood Energy Tax Credits) & existing (Meat Processing Facility Tax Credit, Agricultural Product Utilization Tax Credit, & New Generation Cooperative Incentive Tax Credit) tax credit programs (currently set to expire on 06/30/2020 & 12/31/2021 and this proposal extends that date to 06/30/2027 & 12/31/2027, respectively) at its current activity level (3&5 year averages) and the annual program cap(s)

The Wood Energy tax credit (§135.305 – HA 2) is subject to appropriation.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### **Section 135.305 – Wood Energy Tax Credit (HA 2)**

Officials from the **Missouri Department of Revenue (DOR)** state the Wood Energy Tax Credit has a \$6 million annual cap that is subject to appropriations. The legislature appropriated \$1 million in Fiscal Year 2018 and Fiscal Year 2019. For Fiscal Year 2020, the legislature appropriated \$1.5 million. The legislature appropriated \$740,000 for Fiscal Year 2021.

DOR notes this tax credit does not currently allow authorization of additional credits after June 30, 2020 (Fiscal Year 2021). This proposed legislation would extend the sunset on the tax credit until June 30, 2027.

DOR does not anticipate this proposed legislation will have a fiscal impact on their organization.

**Oversight's** policy is to show the extension of the tax credit in the fiscal note. Oversight will show the revenue reduction to General Revenue (GR) beginning in Fiscal Year 2022.

**Oversight** notes this proposed legislation extends the end date for the Wood Energy Tax Credit authorized under Section(s) 135.300 to 135.311 from June 30, 2020 to June 30, 2027. The issuance of the Wood Energy Tax Credit is subject to appropriation by the General Assembly and has a cap of \$6 million for each fiscal year. Oversight provides the following appropriations previously made by the General Assembly for the Wood Energy Tax Credit:

<b>Fiscal Year</b>	<b>Appropriation</b>
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)

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

<b>Wood Energy Tax Credit</b>	<b>FY 2018 ACTUAL</b>	<b>FY 2019 ACTUAL</b>	<b>FY 2020 ACTUAL</b>	<b>FY 2021 (year to date)</b>	<b>FY 2021 (Full Year - est.)</b>	<b>FY 2022 (Budget Year - est.)</b>
Certificates Issued (#)	7	9	8	0	6	0
Projects/Participants (#)	7	9	8	0	6	0
Amount Authorized	\$970,000	\$678,887	\$1,455,000	\$0	\$740,000	\$0
Amount Issued	\$970,000	\$678,887	\$1,455,000	\$0	\$740,000	\$0
Amount Redeemed	\$891,087	\$789,077	\$1,105,678	\$0	\$717,800	\$717,800

Since the cap for the Wood Energy Tax Credit is \$6 million annually (subject to appropriation), for purposes of this fiscal note, Oversight will show a revenue reduction to GR for the extension of the tax credit as a continuation of the current appropriation level (\$740,000 – HB 2006 - 2020) up to the \$6 million cap.

Officials from the **Missouri Department of Natural Resources** and the **Office of Administration – Budget & Planning Division** do not anticipate this proposed legislation will cause a fiscal impact on their respective organizations.

**Section 135.686 – Meat Processing Facility Tax Credit (& Qualified Beef Tax Credit)**

Officials from the **DOR** state this proposed legislation would extend the ability of a taxpayer to claim a tax credit for meat processing modernization or expansion related to the taxpayer's meat processing facility from December 31, 2021 to December 21, 2027. The Meat Processing Facility Tax Credit shares a \$2 million annual cap with the Qualified Beef Tax Credit.

For informational purposes, DOR provides the following information on the amount of credits issued and redeemed since this credit began in 2018.

Fiscal Year	Authorized	Issued	Total Redeemed
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
<b>TOTALS</b>	<b>\$2,086,395.05</b>	<b>\$2,002,042.15</b>	<b>\$600,710.08</b>

DOR assumes this proposed legislation will not have any further fiscal impact on DOR or General Revenue (GR) as a result of the extended expiration date.

**Oversight** notes, currently, for all tax years beginning on or after January 1, 2017, but ending on or before December 31, 2021, 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 beginning on or after January 1, 2017, and ending on or before December 31, 2027.

**Oversight** notes the Meat Processing Facility Investment Tax Credit and the Qualified Beef Tax Credit have a shared cap of two million dollars (\$2,000,000). The Meat Processing Facility Investment Tax Credits and the Qualified Beef Tax Credits are issued on an as-received application basis until the calendar year limit (\$2,000,000) is reached.

**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, 2027. 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, per the most recent Tax Credit Analysis received from the Missouri Department of Agriculture, the Meat Processing Facility Investment Tax Credit recognized the following activity:

<b>Meat Processing Facility Investment Tax Credit</b>					
<b>Fiscal Year</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021 (Year To Date)</b>	<b>2022 (Budget Year)</b>
<b>Certificates Issued (#)</b>	6	14	21	0	0
<b>Projects/Participants (#)</b>	6	14	22	0	0
<b>Amount Authorized</b>	\$286,782	\$627,808	\$1,171,806	\$0	\$0
<b>Amount Issued</b>	\$286,782	\$552,808	\$1,162,453	\$0	\$0
<b>Amount Redeemed</b>	\$5,561	\$214,778	\$380,371	\$31,602	\$0

**Oversight** notes the three (3) year average (Fiscal Year(s) 2018 – 2020) amount of Meat Processing Facility Investment Tax Credits issued equals \$667,348.

For purposes of this fiscal note, since the Meat Processing Facility Investment Tax Credit shares a cumulative tax credit cap with the Qualified Beef Tax Credit, Oversight will provide the program activity for the Qualified Beef Tax Credit.

**Oversight** notes, per the most recent Tax Credit Analysis received from the Missouri Department of Agriculture, the Qualified Beef Tax Credit recognized the following activity:

Qualified Beef Tax Credit					
Fiscal Year	2018	2019	2020	2021 (Year To Date)	2022 (Budget Year)
Certificates Issued (#)	6	7	0	0	0
Projects/Participants (#)	6	7	0	0	0
Amount Authorized	\$35,627	\$64,535	\$0	\$0	\$0
Amount Issued	\$35,627	\$64,535	\$0	\$0	\$0
Amount Redeemed	\$67,304	\$59,694	\$50,927	\$2,120	\$0

**Oversight** notes the three (3) year average (Fiscal Year(s) 2018 – 2020) amount of Qualified Beef Tax Credits issued equals \$33,387.

**Oversight** notes, the **combined** three (3) year average amount of tax credits issued (Meat Processing Facility Investment Tax Credit and Qualified Beef Tax Credit) equals \$700,735.

**Oversight** notes the shared cumulative cap for these tax credit programs is two million dollars (\$2,000,000). Oversight assumes, when taking into consideration the three (3) year average amount of Qualified Beef Tax Credits issued (\$33,387), that \$1,966,613 would be available to be issued to the Meat Processing Facility Investment Tax Credit program.

**However**, Oversight notes, the Qualified Beef Tax Credit program is currently scheduled to end December 31, 2021. Therefore, should this proposed legislation be signed into law and the Qualified Beef Tax Credit end, the total amount of tax credits available to be issued under the Meat Processing Facility Investment Tax Credit program would be the full cap of \$2,000,000.

Therefore, for purposes of this fiscal note, Oversight will report the extension of this tax credit as a revenue reduction to GR equal to an amount “up to” \$667,348 (the three (3) year average amount of Meat Processing Facility Investment Tax Credits issued) to \$2,000,000 (the total amount available for Meat Processing Facility Tax Credit program if Qualified Beef Tax Credit program ends), beginning in Fiscal Year 2023.

Officials from the **Office of Administration – Budget & Planning Division** and the **Missouri Department of Agriculture** do not anticipate this proposed legislation will result in a fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for these organizations.

**Section 348.436 – Agricultural Product Utilization Contributor Tax Credit Program and New Generation Cooperative Incentive Tax Credit Program (HA 3)**

Officials from the **DOR** state this proposed legislation 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, 2027. These credits **share** a \$6 million annual cap.

For information purposes, DOR shows the issuance and redemption of these credits over the last nine (9) years. These credits began in 1999.

Agricultural Product Utilization Credit

Fiscal Year	Authorized	Issued	Total Redeemed
FY 2020	\$5,705,000.00	\$182,377.36	
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
<b>TOTALS</b>	<b>\$23,221,140.35</b>	<b>\$17,313,495.11</b>	<b>\$15,066,548.68</b>

New Generation Cooperative Credit

Fiscal Year	Authorized	Issued	Total Redeemed
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
<b>TOTALS</b>	\$27,186,206.00	\$19,452,806.00	\$17,078,401.89

DOR assumes this proposed legislation will not have any further fiscal impact on DOR or General Revenue (GR) as a result of the extended expiration date.

**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, 2027. 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, per the Tax Credit Analyses received from the Missouri Department of Agriculture for Fiscal Year(s) 2016 - 2020, the Agricultural Product Utilization Contributor Tax Credit recognized the following activity:

Agricultural Product Utilization Contributor Tax Credit							
Fiscal Year	2016	2017	2018	2019	2020	2021 (Year To Date)	2022 (Budget Year)
Certificates Issued (#)	115	156	91	11	6	0	0



<b>Projects/Participants (#)</b>	12	13	14	23	9	0	0
<b>Amount Authorized</b>	\$2,513,350	\$3,247,846	\$4,068,190	\$195,000	\$190,000	\$0	\$0
<b>Amount Issued</b>	\$2,513,350	\$2,908,334	\$4,048,690	\$168,989	\$182,377	\$0	\$0
<b>Amount Redeemed</b>	\$1,553,333	\$2,638,686	\$2,785,906	\$2,278,432	\$2,713,523	\$0	\$0

**Oversight** notes the five (5) year average (Fiscal Year(s) 2016 – 2020) amount of Agricultural Product Utilization Contributor Tax Credit(s) issued equals \$1,964,348.

**Oversight** notes, per the Tax Credit Analyses received from the Missouri Department of Agriculture for Fiscal Year(s) 2016 - 2020, the New Generation Cooperative Incentive Tax Credit recognized the following activity:

<b>New Generation Cooperative Incentive Tax Credit</b>							
<b>Fiscal Year</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021 (Year To Date)</b>	<b>2022 (Budget Year)</b>
<b>Certificates Issued (#)</b>	571	483	1076	0	24	0	0
<b>Projects/Participants (#)</b>	5	5	3	3	1	0	0
<b>Amount Authorized</b>	\$2,156,529	\$1,873,475	\$2,011,157	\$3,153,844	\$1,500,000	\$3,000,000	\$0
<b>Amount Issued</b>	\$1,278,145	\$2,383,129	\$1,931,810	\$0	\$360,000	\$0	\$0
<b>Amount Redeemed</b>	\$1,730,342	\$2,093,124	\$1,431,010	\$840,615	\$467,168	\$14,508	\$0

**Oversight** notes the five (5) year average (Fiscal Year(s) 2016 – 2020) amount of New Generation Cooperative Incentive Tax Credit(s) issued equals \$1,190,617.

Therefore, for purposes of this fiscal note, Oversight will report the extension of these tax credits as a revenue reduction to GR equal to an amount “up to” \$3,154,965 (the combined five (5) year average amount of tax credits issued (\$1,964,348 + \$1,190,617)) to the shared cap of \$6,000,000, beginning in Fiscal Year 2023.

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 extension of the Agricultural Production 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.

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this proposed legislation will not have an impact on B&P, will not have a direct impact on General Revenue or Total State Revenue, and will not impact the calculation pursuant to Article X, Section 18(e).

Officials from the **Missouri Department of Agriculture** do not anticipate this proposed legislation will cause a fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for this organization.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>GENERAL REVENUE FUND</b>			
<u>Revenue Reduction</u> – Section 135.305 – Extension of the Wood Energy Tax Credit from 06/30/20 to 06/30/27 (HA 2)	(\$740,000) or up to (\$6,000,000) depending on appropriation	(\$740,000) or up to (\$6,000,000) depending on appropriation	(\$740,000) or up to (\$6,000,000) depending on appropriation
<u>Revenue Reduction</u> – Section 135.686 - Extension of Meat Processing Facility Investment Tax Credit From 12/31/21 to 12/31/27	\$0	Up to (\$667,348) to (\$2,000,000)	Up to (\$667,348) to (\$2,000,000)
<u>Revenue Reduction</u> – Section 348.436 – Extension of Expiration Date For Agricultural Product Utility Contributor Tax Credit & New Generation Cooperative Incentive Tax Credit from 12/31/21 to 12/31/27 (HA 3)	\$0	<u>Up to (\$3,154,965) to (\$6,000,000)</u>	<u>Up to (\$3,154,965) to (\$6,000,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$740,000)</u> <u>or up to</u></b>		

	<u>(\$6,000,000)</u> <u>depending on</u> <u>appropriation</u>	<u>Up to (\$4,562,313)</u> <u>to (\$14,000,000)</u>	<u>Up to (\$4,562,313)</u> <u>to (\$14,000,000)</u>
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<u>FISCAL IMPACT –</u> <u>Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

This proposed legislation could positively impact any small business that qualifies for the Meat Processing Facility Investment Tax Credit, the Wood Energy Tax Credit, the Agricultural Product Utilization Tax Credit, or the New Generation Cooperative Incentive Tax Credit as such small business could receive a tax credit that would have otherwise been unavailable after June 30, 2020 and/or December 31, 2021, which would allow such small businesses to reduce or eliminate such small business’s state tax liability.

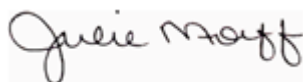
FISCAL DESCRIPTION

Current law authorizes the Meat Processing Facility Investment Tax Credit for the expansion or modernization of meat processing facilities, with such tax credit program to expire December 31, 2021. This act extends such tax credit until December 31, 2027. This act also extends the expiration dates on the Wood Energy Tax Credit, the Agricultural Product Utilization Tax Credit, and the New Generation Cooperative Incentive Tax Credit

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

Office of Administration – Budget & Planning Division  
 Missouri Department of Revenue  
 Missouri Department of Agriculture  
 Missouri Department of Commerce and Insurance  
 Missouri Department of Natural Resources




L.R. No. 2107H.01P  
Bill No. Perfected HB 948  
Page **12** of **12**  
March 9, 2021

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