COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3301-03
Bill No.: HB 1346
Subject: Agriculture and Animals; Agriculture Department; Taxation and Revenue
Type: Original
Date: February 20, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	$0 to ($14,000,000)	$0 to ($14,000,000)	$0 to ($14,000,000)
Total Estimated Net Effect on General Revenue Fund*	**$0 to ($14,000,000)**	**$0 to ($14,000,000)**	**$0 to ($14,000,000)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on Other State Funds*	**$0**	**$0**	**$0**

*** The fiscal impact could be divided between the General Revenue Fund and the County Foreign Insurance Fund (which ultimately goes to local school districts) if some of the tax credits are utilized against insurance premium taxes.**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government*	**$0**	**$0**	**$0**

*** The fiscal impact could be divided between the General Revenue Fund and the County Foreign Insurance Fund (which ultimately goes to local school districts) if some of the tax credits are utilized against insurance premium taxes.**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Department of Agriculture's authority to promulgate rules, regulations, and forms. SOS estimates the division could require approximately 28 new pages of regulations in the Code of State Regulations at a cost of $27.00 per page, and 42 new pages in the Missouri Register at a cost of $23.00 per page. Costs due to this proposal are estimated to be $1,687, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal, however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

Officials from the **Department of Revenue (DOR)** state this legislation would create a tax credit for certain agricultural producers. The credit can be applied against the taxes found in Chapters 143, 147, & 148, excluding withholding tax. The tax credit is nonrefundable, however, it may be

ASSUMPTION (continued)

assigned, transferred, or sold. It may be carried back 3 years and/or carried forward 5 years.

DOR assumes the proposal would have the following administrative impact:

Tax - Language needs to be added making the certificate a requirement as support for the credit. Forms and programming will be needed.

This legislation will require modifications to individual and corporate income tax systems. Taxation estimates these modifications will require a MINITS programming costs of $46,170 (1,384 hours). COINS will also need to be modified for a programming cost of $23,085 (692 hours). DOR proposes to cover these costs with current IT staff. Effective July 1, 2006, DOR's IT staff will be moved to the Office of Administration pursuant to consolidation, but DOR has no reason to believe this transfer will limit their ability to absorb these costs. In the event multiple new credits/deductions are passed, this cost could exceed current appropriation levels and result in additional funds being requested.

Personal Tax believes the number of taxpayers who will claim this credit will be less than 4,000, therefore, can administer the additional functions with existing staff.

Officials from the **Department of Agriculture (AGR)** state this proposal authorizes an additional $14 million in tax credits each year. AGR assumes current staff can handle the increased workload from the additional credits.

Oversight assume the proposal could result in an additional $14 million in tax credits being utilized against Missouri taxes, starting in fiscal year 2007.

Officials from the **Department of Insurance** and the **Office of Administration - Budget and Planning** did not respond to our request for fiscal impact.

This proposal could reduce Total State Revenues.

FISCAL IMPACT - State Government	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE			
Loss - Department of Agriculture Qualified Investor Incentive tax credit	$0 to ($14,000,000)	$0 to ($14,000,000)	$0 to ($14,000,000)
ESTIMATED NET EFFECT TO GENERAL REVENUE	**$0 to ($14,000,000)**	**$0 to ($14,000,000)**	**$0 to ($14,000,000)**

Note: This does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

FISCAL IMPACT - Local Government	FY 2007 (10 Mo.)	FY 2008	FY 2009
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses that qualify as eligible new generation cooperatives or eligible new generation processing entities could be fiscally impacted as a result of this proposal.

DESCRIPTION

This proposal authorizes the qualified investor incentive tax credit. Any qualified entity investing in a new generation cooperative or new generation processing entity will be eligible to receive a tax credit equal to the lesser of 50% of the entity's investment or $15,000. The tax credit may be claimed on a quarterly basis and applied to the estimated quarterly tax, carried back to any of the qualified investor's three prior taxable years, carried forward to any five subsequent taxable years, assigned, transferred, or sold.

Currently, agricultural tax credits are not to exceed $6 million in the aggregate in any fiscal year. The bill increases the maximum amount to $20 million for fiscal years 2007 through 2010.

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DESCRIPTION (continued)

In order for a new generation cooperative or new generation processing entity formed after the effective date of the bill to participate in the Missouri Linked Deposit Program or the Agricultural Tax Credit Program, at least 75% of its producer members must be Missouri residents and offer qualified producers the opportunity to invest in the cooperative or processing entity prior to offering the opportunity to qualified investor entities. Any remaining investment opportunity may be offered to unqualified investors. An unqualified investor is a person investing in a new generation cooperative or new generation processing entity who has a gross yearly income of $10 million or more, and he or she will not be eligible to receive the 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

Department of Agriculture
Department of Revenue
Office of the Secretary of State

NOT RESPONDING: Department of Insurance; Office of Administration - Budget and Planning

Mickey Wilson

Mickey Wilson, CPA
Director
February 20, 2006