

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0902-02
Bill No.: HCS for HB 346
Subject: Agriculture and Animals; Agriculture Dept.; Taxation and Revenue - Income
Type: Original
Date: February 16, 2007

Bill Summary: Increases the cap on the aggregate of certain agricultural tax credits from six million dollars to twelve million dollars. Requires the Missouri Agriculture and Small Business Authority to pay for the first full year of interest on certain loans under the Missouri Linked Deposit Program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(\$0 to \$6,430,699)	(\$0 to \$6,520,544)	(\$0 to \$6,534,661)
Total Estimated Net Effect on General Revenue Fund	(\$0 to \$6,430,699)	(\$0 to \$6,520,544)	(\$0 to \$6,534,661)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	1	1	1
Total Estimated Net Effect on FTE	1	1	1

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** assume no fiscal impact to their agency.

Officials from the **Department of Agriculture** assume there will be \$6,000,000 less general revenue collected each year. However, the formation and operation of value-added processing entities will create a considerable amount of economic activity which over a period of time will more than offset the loss of tax revenue.

Oversight compared the total tax credit issuances relative to the total tax credit redemptions for the previous three years in order to determine a relationship between the two. Oversight discovered that the annual redemptions ranged from 79 percent to 118 percent of the annual issuances. Depending on the program, the redeemed credits may have been issued several years prior and carried forward to the years studied; however, Oversight will utilize an estimated redemption total of 100 percent of tax credits issued. Therefore, under this proposal, if \$6,000,000 of credits are issued, Oversight would assume \$0 to \$5,910,000 (98.5%) of credits to be redeemed, reducing Total State Revenues.

Also, officials from the **Department of Agriculture** assume no fiscal impact on the Missouri Linked Deposit Program. Current staffing should be sufficient to administer the program.

Subject to appropriations is the following:

There are approximately 114,000 dairy cows in the state. The state average cull rate on dairy cows is about 28%. University of Missouri Commercial Ag Dairy Economists estimate that of the replacement animals going back into the herd, about 10% are actually purchased and the other 90% are raised on the farm. Currently good replacement animals are selling for about \$1,875 per head. Assuming a 8% interest rate and a 30% participation rate by dairy farmers.

$114,000 \text{ head} \times 28\% \text{ cull rate} \times 10\% \text{ purchased} \times \$1,875 \text{ per head} \times 8\% \text{ interest rate} \times 30\% \text{ participation rate} = \$143,640.$

Assuming that Missouri will see a 5% increase in new dairies and expansions.

$114,000 \times 5\% \text{ increase} \times \$1,875 \text{ per head} \times 8\% \text{ interest rate} \times 30\% \text{ participation rate} = \$256,500.$

$\text{TOTAL } \$143,640 + \$256,500 = \$400,140.$

VL:LR:OD (12/02)

ASSUMPTION (continued)

Officials from the **State Treasurer's Office (STO)** assume, subject to appropriations, the Missouri Agricultural and Small Business Development authority shall pay for the first full year of charged interest on any applicable Missouri linked deposit program loan. Applicable loans will be for the acquisition of dairy cows and other replacement dairy females.

The STO will need an FTE (Accounting Analyst I/Time Deposit Coordinator - \$37,896 plus \$17,407 fringes = \$55,303) to track and/or verify this information with the participating financial institution.

This Proposal Reduces Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE			
<u>Cost</u> - Agricultural Product Utilization Contributor Tax Credit Program	(\$0 to \$1,000,000)	(\$0 to \$1,000,000)	(\$0 to \$1,000,000)
<u>Cost</u> - New General Cooperative Incentive Tax Credit Program	(\$0 to \$5,000,000)	(\$0 to \$5,000,000)	(\$0 to \$5,000,000)
<u>Cost</u> - Department of Agriculture Equipment & Expense	(\$333,450)	(\$412,144)	(\$424,509)
<u>Cost</u> - Department of Agriculture Dairy Planning Grant	(\$50,000)	(\$50,000)	(\$50,000)
<u>Cost</u> - State Treasurer's Office Salaries	(\$32,527)	(\$40,204)	(\$41,410)
Fringe Benefits	<u>(\$14,722)</u>	<u>(\$18,196)</u>	<u>(\$18,742)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$0 to \$6,430,699)</u>	<u>(\$0 to \$6,520,544)</u>	<u>(\$0 to \$6,534,661)</u>
Estimated Net FTE Change for General Revenue	1	1	1

FISCAL IMPACT - Local Government

FY 2008
(10 Mo.)

FY 2009

FY 2010

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Yes. This will have a positive impact on farmers investing in value-added processing entities. They will be able to obtain their tax credits on a more timely basis. In addition, there will be \$1,000,000 available to sell as Agriculture Product Utilization Contributor Tax Credits. The revenue generated from the sale of those credits is the only funding for Missouri Value-Added Grants. The grants providing funding to small businesses for feasibility studies, marketing studies, business planning, etc.

Yes. This program will have a positive economic impact on dairy farmers in the amount of the first years interest on qualified loans.

FISCAL DESCRIPTION

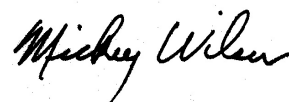
The proposed legislation increases the cap on the aggregate of certain agricultural tax credits from six million dollars to twelve million dollars.

The portion of this legislation on the Missouri Linked Deposit Program is subject to appropriation.

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
Department of Agriculture
State Treasurer's Office



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