

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1632-02
Bill No.: HCS for HB 630
Subject: Agriculture and Animals; Revenue Dept.; Taxation and Revenue - Income
Type: Original
Date: April 12, 2007

Bill Summary: Authorizes a tax credit for the sale of certain qualifying beef cattle.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(\$3,085,323)	(\$10,096,988)	(\$10,099,896)
Total Estimated Net Effect on General Revenue Fund	(\$3,085,323)	(\$10,096,988)	(\$10,099,896)

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	2	2	2
Total Estimated Net Effect on FTE	2	2	2

☐ 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 Agriculture (MDA)** assume this proposal will give an incentive to Missouri's cattle industry to retain ownership and background and/or finish cattle in this state. The growth in the cattle industry as a result of this legislation should have a positive economic impact on the state.

MDA estimates that about 1.2 million head of beef animals are marketed each year in Missouri. The Missouri Department of Agriculture, Agriculture Business Development Division's Market News Service reports 19 of the major livestock auctions in the state. Those animals are reported based on weight and grade from 200 lbs up. They are reported in weight ranges of 50 lbs, for example 200 - 250, 250 - 300, and so on. Within each range a weighted average is calculated. In 2006, 783,425 reported head weighed over 450 lbs. By taking the weighted average minus 450 lbs times the number of head in each weight range multiplied by \$.10/lbs the cost for those reported animals is \$14,261,653. Assuming the other animals which are sold under private treaty are similar weights and using the same formula for as above the cost of those non-reports animals is \$6,807,983 for a total cost of \$21,069,636.

However, the proposal does require that the "qualifying beef animals" be raised and backgrounded or finished in the state. A generally accepted definition of backgrounding is that the calves would be weaned for a minimum of 45 days. Backgrounding could include those weaned calves up to an estimated 750 - 800 lbs which would then go to a feedlot for finishing.

Assuming:

1. An average wean weight of 500 lbs.
2. Backgrounding going from 450 lbs up to 750 lbs.
3. An additional 300,000 head will be backgrounded from 450 lbs to 750 lbs.
(300 additional lbs x \$.10/lb x 300,000 head = \$9,000,000)

Also assuming an additional 100,000 head would be finished from 750 lbs to 1,150 lbs.
(400 additional lbs x \$.10 lbs x 100,000 head = \$4,000,000)

TOTAL cost \$13,000,000.

Assuming 1/3 of the calves are fall calves and assuming that in the first year the animals would not reach finish weight the first years cost would be \$3,000,000.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** assume this proposal establishes Section 135.660, which:

Defines “Taxpayer” as any individual or entity subject to the taxes imposed under Chapter 143, except withholding taxes, and Chapter 147.

Allows a tax credit for each qualifying sale of a qualifying beef animal. The credit amount shall be based on the qualifying beef animal's weight at the time of the first qualifying sale, and shall be equal to ten cents per pound, above four hundred fifty pounds, and for a subsequent qualifying sale, ten cents per pound, above the weight of the qualifying beef, at the time of the first sale of such beef or 450 pounds, whichever weight is greater.

The amount of the credit claimed cannot be more than the taxpayer’s liability and is not refundable. The credit must be claimed in the year in which the sale of the beef was made. The credit can be carried forward 5 years or carried back 3 years. The amount of tax credits that may be issued to all eligible applicants claiming tax credits in a fiscal year shall not exceed \$10 million, and the cumulative amount of tax credits that may be issued to all eligible applicants claiming all tax credits authorized in this section, shall not exceed \$30 million.

The credits may be assigned, sold, or transferred, and are to be certified by the “authority” (defined as the agricultural and small business development authority)

This legislation shall not be subject to the Missouri sunset act.

For DOR impact, see “Assumptions” below.

Personal Tax would require 1 Tax Processing Technician I for every 6,000 credits claimed for verification/processing purposes.

This Proposal Reduces Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE			
<u>Cost - Department of Agriculture</u>			
Salaries	(\$27,467)	(\$33,949)	(\$34,967)
Fringe Benefits	(\$12,432)	(\$15,365)	(\$15,826)
Equipment & Expense	<u>(\$3,007,801)</u>	<u>(\$10,007,932)</u>	<u>(\$10,008,168)</u>
	(\$3,047,700)	(\$10,057,246)	(\$10,058,961)
<u>Cost - Department of Revenue</u>			
Salaries	(\$20,528)	(\$25,372)	(\$26,134)
Fringe Benefits	(\$9,291)	(\$11,483)	(\$11,828)
Equipment & Expense	<u>(\$7,804)</u>	<u>(\$2,887)</u>	<u>(\$2,973)</u>
	(\$37,623)	(\$39,742)	(\$40,935)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$3,085,323)</u>	<u>(\$10,096,988)</u>	<u>(\$10,099,896)</u>

Estimated Net FTE Change for General Revenue	2	2	2
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<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Yes. A positive impact in the amount of tax credits being issued.

Yes; to the extent the small business were a qualifying taxpayer, (as defined by this legislation, and made qualifying sales of qualifying beef animals), it could receive a tax credit for the qualifying sale.

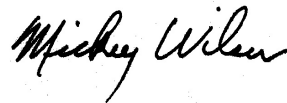
FISCAL DESCRIPTION

The proposed legislation authorizes a tax credit for the sale of certain qualifying beef cattle and could reduce total state revenue.

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

A handwritten signature in black ink that reads "Mickey Wilson". The signature is fluid and cursive, with the first name "Mickey" and last name "Wilson" clearly distinguishable.

Mickey Wilson, CPA
Director
April 12, 2007