COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1956-01
Bill No.: HB 879
Subject: Agriculture and Animals; Agriculture Dept.; Revenue Dept.; Taxation and Revenue - Income
Type: Original
Date: March 5, 2007

Bill Summary: Creates the managed environmental livestock operation tax credit for the eligible costs of implementing odor abatement best management practices and systems.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	($0 to $3,000,000)	($0 to $3,000,000)	($0 to $3,000,000)
Total Estimated Net Effect on General Revenue Fund	**($0 to $3,000,000)**	**($0 to $3,000,000)**	**($0 to $3,000,000)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on Other 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 All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☒ 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** assume General Revenue collections will be reduced by the amount of the tax credits but somewhat offset by the amount of economic activity generated.

The proposal caps the tax credits at $3,000,000.

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 $3,000,000 of credits are issued, Oversight would assume $0 to $2,955,000 (98.5%) of credits to be redeemed, reducing Total State Revenues.

Officials from the **Department of Revenue** assume this proposal establishes Section 135.633, which:

Defines "taxpayer" as any individual or entity subject to the tax imposed by chapter 143, except withholding taxes, 147, 148, and 153.

Beginning on or after January 1, 2007, a taxpayer shall be allowed a tax credit for the eligible costs of implementing odor abatement best management practices and systems.

The maximum cumulative tax credit amount per taxpayer shall be equal to either the lesser of 50% of such eligible expense of implementing odor abatement best management practices and systems necessary to achieve MELO accreditation from AGR, or $50,000; or the lesser of 75% of such eligible expense of implementing odor abatement best management practices and systems necessary to meet preferred environmental practices, or $75,000.

The credits are not refundable, but may be carried back 3 years or carried forward 5 years regardless of which tax liability the taxpayer applies them to. The credits can be transferred, assigned, or sold.

The cumulative amount of tax credits that may be issued in any one fiscal year, cannot exceed $3 million.

ASSUMPTION (continued)

Producers may receive a credit against the tax or estimated quarterly tax otherwise due under chapter 143, except withholding taxes, or chapter 147 or 148, RSMo. Tax credits claimed by producers may be done so on a quarterly basis and applied to the estimated quarterly tax otherwise due. If a quarterly tax credit claim causing an overpayment of taxes for a taxable year, such overpayment shall not be refunded but shall be applied to the next taxable year.

The Missouri Agriculture and Small Business Development Authority is to administer this tax credit.

These provisions shall expire June 30, 2012.

This legislation establishes a new tax credit with carry forward/back provisions. Personal Tax would require 1 Tax Processing Technician I for every 6,000 credits claimed.

Oversight assumes this would be accomplished during the normal budgetary process. Therefore, Oversight assumes the initial administrative impact of this proposal is $0.

Officials from the **Department of Natural Resources (DNR)** assume this proposal would authorize the Missouri Agriculture and Small Business Development Authority to issue tax credits to owners of livestock operations ot partially offset certain expenses incurred for implementing odor abatement best management practices and systems.

The provisions of this proposal would expire June 30, 2012.

The DNR assumes they would implement the provisions of this proposal utilizing existing resources.

This Proposal Reduces Total State Revenue.

FISCAL IMPACT - State Government	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE			
Cost - Department of Agriculture			
Tax Credits	($0 to $3,000,000)	($0 to $3,000,000)	($0 to $3,000,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**($0 to $3,000,000)**	**($0 to $3,000,000)**	**($0 to $3,000,000)**

FISCAL IMPACT - Local Government	FY 2008 (10 Mo.)	FY 2009	FY 2010
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Yes. This proposal will have a positive economic impact on farmers in the amount of tax credits received.

Yes; to the extent the small business qualifies as a “taxpayer”, as defined by this legislation, and incurs eligible expenses, they may qualify for the established tax credit.

FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact.

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 Natural Resources
Department of Agriculture
Department of Revenue
State Treasurer's Office

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Director
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