COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3481-04
Bill No.: Perfected HCS for HB 1349
Subject: Agriculture and Animals; Agriculture Dept.; Taxation and Revenue - General
Type: Corrected
Date: April 5, 2006
To correct fiscal year cost.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
#General Revenue	$0	($105,000)	($105,000)
Total Estimated Net Effect on General Revenue Fund	**$0**	**($105,000)**	**($105,000)**

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**

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**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **State Treasurer's Office** assume no fiscal impact to their agency.

Officials from the **Department of Revenue (DOR)** assume this proposal creates a tax credit for lenders that waive the first-year interest of loans to family farms. The amount of the credit is equal to the amount of interest waived. The credit may be used against Chapters 143, 147 and 148, excluding withholding tax. The credit may be applied against quarterly tax payments. This credit is not refundable, but may be assigned, transferred, or sold and may be carried-forward.

This credit is administered by the Department of Agriculture and allows a carry-forward. The department would require one FTE for every 6,000 credits claimed, however, DOR does not anticipate 6,000 mor more would file this claim. The department anticipates handling the programming, form changes, and processing with existing staff.

Officials from the **Department of Agriculture** obtained information from the Commercial Ag Program, University of Missouri, Agricultural Statistics Office, Market News Service - Mo Department of Agriculture.

They obtained the current inventory of livestock of each of the species identified in the proposal, ASSUMPTION (continued)

multiplied by the number of Missouri farmers who meet the definition of small farmer, multiplied by the average cull rate for each of the species, multiplied by the average purchases replacement, multiplied by a replacement value, multiplied by the maximum loan rate, multiplied an average interest rate, multiplied by an expected participation rate, equals the cost of replacement animals.

They made the assumption there would be a 5% new and or expansion in the each of the species. Those numbers multiplied by a purchase value, multiplied by maximum loan rate, multiplied by an expected participation rate, equals the new or expansion cost.

The two totals equal the fiscal note.

Oversight assumes there will be an average of approximately 20 family farm livestock loans throughout the year. Oversight is assuming most of the loans will be for beef or dairy cattle. If the loans are for swine, sheep or goats the loan will be for thirty-five to thirty thousand dollars respectively. This is based on an average. The number of loans per year will depend on interest rates and various other factors; therefore, there may be more loans or less loans each year. Oversight will make no assumptions on when the farmer will sell the livestock. Oversight assumes an annual interest rate of 7%.. (20 x $75,000 = $1,500,000 x 7% = $105,000 per year)

FISCAL IMPACT - State Government	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE			
#Expense - Department of Agriculture - Tax Credits	$0	($105,000)	($105,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$0**	**($105,000)**	**($105,000)**

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

FISCAL IMPACT - Small Business

Small businesses (farmers) will be positively impacted by the amount of first year interest on livestock loans.

DESCRIPTION

This bill establishes the Family Farms Act which will allow small farmers who have obtained a loan for the purchase of livestock a waiver of the interest payments for the first year. A small farmer will be eligible for one family farm loan, and the loan proceeds must be spent on one type of livestock. The maximum amount of a loan will be:

(1) $75,000 for beef cattle;

(2) $75,000 for dairy cattle;

(3) $35,000 for swine; and

(4) $30,000 for sheep and goats.

The Agricultural and Small Business Development Authority will administer the program and may charge a one-time fee of 1% of the loan amount. The bill will allow a lender to apply to the authority for a tax credit in an amount equal to the amount of interest which would have otherwise been paid in the first year by the small farmer. Upon approval, the authority will issue a tax credit for taxes otherwise due in the year the credit was issued. The credit may be used to satisfy quarterly tax obligations, and any unused portion may be carried forward up to three years.

The bill contains small farmer qualification requirements and specifies the duties of the authority in administering the program.

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
State Treasurer's Office

Mickey Wilson, CPA
Director
April 5, 2006