

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2021-01
Bill No.: SB 472
Subject: Agriculture and Animals; Revenue Dept.; Taxation and Revenue - General;
 Taxation and Revenue - Income
Type: Original
Date: February 26, 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	(\$85,323)	(\$0 to \$10,097,358)	(\$0 to \$10,100,277)
Total Estimated Net Effect on General Revenue Fund	(\$85,323)	(\$0 to \$10,097,358)	(\$0 to \$10,100,277)

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

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.

We estimate that about 1.65 million head of beef animals are marketed each year in Missouri. The legislation 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 up to an estimated 800 lbs which would then go to a feedlot for finishing.

Assuming:

45% of the 1.65 million are currently sold as weaned calves and also assuming that with this program 20% of those would be backgrounded and would put on an additional 300 lbs. (1.65m x 45% x 20% x 300lbs x \$.10 = \$4,455,000).

50% of the 1.65 million are currently sold as weaned calves and also assuming that with this program 5% of those backgrounded calves would be finished and would put on an additional 400 lbs (1.65m x 50% x 5% x 400lbs x \$.10 = \$1,650,000).

Total tax credit cost \$6,105,000.

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.

ASSUMPTION (continued)

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	(\$7,801)	(\$8,302)	(\$8,549)
		<u>(\$0 to</u>	<u>(\$0 to</u>
Tax Credits	<u>\$0</u>	<u>\$10,000,000)</u>	<u>\$10,000,000)</u>
		(\$0 to	(\$0 to
	(\$47,700)	\$10,057,616)	\$10,059,342)
<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>(\$85,323)</u>	<u>(\$0 to \$10,097,358)</u>	<u>(\$0 to \$10,100,277)</u>
Estimated Net FTE Change for General Revenue	2	2	2
<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.

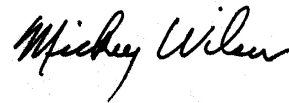
FISCAL DESCRIPTION

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
State Treasurer's Office



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Director
February 26, 2007