

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2184-01
Bill No.: SB 489
Subject: Agriculture Dept.; Revenue Dept.; Tax Credits
Type: Original
Date: March 5, 2007

Bill Summary: Modifies the maximum amount of certain agricultural tax credits that may be issued each fiscal year.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(\$0 to \$6,000,000)	(\$0 to \$6,000,000)	(\$0 to \$6,000,000)
Total Estimated Net Effect on General Revenue Fund	(\$0 to \$6,000,000)	(\$0 to \$6,000,000)	(\$0 to \$6,000,000)

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 5 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
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 Revenue, Department of Economic Development and State Treasurer's Office** 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.

This Proposal Reduces Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE			
<u>Cost - Agricultural Product Utilization Contributor Tax Credit Program</u>	(\$0 to \$1,000,000)	(\$0 to \$1,000,000)	(\$0 to \$1,000,000)
<u>Cost - New General Cooperative Incentive Tax Credit Program</u>	(\$0 to \$5,000,000)	(\$0 to \$5,000,000)	(\$0 to \$5,000,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$0 to \$6,000,000)</u>	<u>(\$0 to \$6,000,000)</u>	<u>(\$0 to \$6,000,000)</u>

<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. 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.

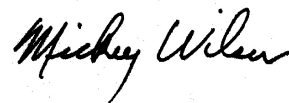
FISCAL DESCRIPTION

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

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
Department of Economic Development



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Director

L.R. No. 2184-01
Bill No. SB 489
Page 5 of 5
March 5, 2007

March 5, 2007

VL:LR:OD (12/02)