

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4296-03
Bill No.: Perfected SS for SCS for SB Nos. 627 & 925
Subject: Agriculture, Agriculture Department, Animals, Emergencies, Food,
 Merchandising Practices, Motor Fuel, Taxation and Revenue - General, Taxation
 and Revenue - Sales and Use
Type: Original
Date: March 8, 2018

Bill Summary: This proposal modifies provisions relating to agriculture.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on General Revenue	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Parks, Soil & Water	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Conservation Commission	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
School District Trust	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

§137.016, §137.021 and §137.115 Urban and Community Gardens

In response to the previous version, officials at the **Office of Administration Division of Budget and Planning (B&P)** assumed the bill would statutorily create and define urban and community gardens, provide that such gardens be classified as agricultural and horticultural property for the purposes of property taxation, and allow taxpayers to ask that real property be reclassified based on a change in the property's use or purpose. Because the urban and community garden provisions would allow real property to be reclassified and thus made subject to different tax rate, the bill could impact property tax revenues deposited into the state's Blind Pension Fund, potentially decreasing total state revenues and general revenue collections, and negatively impacting the state's Article X, Section 18(e) calculation.

Officials at the **Department of Agriculture** and the **State Tax Commission** each assume there is no fiscal impact from this proposal.

Oversight notes that county assessor's are responsible for classifying all property in Missouri into the following categories, for tax purposes:

- class one: real property
- class two: tangible personal property
- class three: intangible personal property.

Once property is classified into one of these categories, the assessor then has the responsibility, to further classify all the class one real property into one of three additional categories:

- 1) residential property; (19% tax rate)
- 2) agricultural and horticultural property; (12% tax rate)
- 3) utility, industrial, commercial, railroad, and all other property not included in subclasses (1) and (2) of class 1 property. (32% tax rate)

Oversight notes this proposal would allow urban and community gardens to be classified as agricultural and horticultural property instead of as residential or commercial property for the assessment of property tax. These gardens additionally can not be on or considered residential property. Due to the limited number of these gardens, Oversight will not show a fiscal impact from this proposal.

ASSUMPTION (continued)

§144.010, §262.900, §265.300, §267.565, §276.606 and §277.020 Adding “Bison” and “Honey Bees” to the term “Livestock”

In response to the previous version, officials at the **B&P** assumed the bill would redefine certain tax-related definitions of the term "livestock" to include "bison." Based on estimated bison production costs and sales in Missouri, B&P estimates these changes could decrease Total State Revenues and General Revenue collections by less than \$100,000 and negatively impact the state's Article X, Section 18(e) calculation.

Oversight notes this proposal modifies the definition of livestock by adding “bison” and “honey bees” which would exempt the production and sale of bison and honey bees from sales tax. Therefore, **Oversight** will show a negative fiscal impact of less than \$100,000 to the state sales tax funds as well as local political subdivisions.

§265.300 Source of Deer Meat

Officials from the **Missouri Department of Conservation (MDC)** assume this proposal will have a negative unknown fiscal impact due to the uncertainty of the time and effort required of conservation agents to determine the source of deer meat in commercial operations and the potential to spread disease with the growth of herds for slaughter.

§254.075 and §254.210 Yield Tax

In response to similar legislation filed this year, SB 1006, officials at the **B&P** assumed the proposal would repeal the current state yield tax on forest product cuttings, and therefore would reduce Total State Revenues and affect 18e calculations - if this tax is currently being collected. B&P defers to Department of Revenue and Department of Conservation for any specific estimates of its fiscal impact.

Officials at the **MDC** assume there would be a small negative fiscal impact. Those currently enrolled in the program would no longer pay a yield tax. The average yield tax over the last five years received by the Department is around \$7,000 annually at the current rate.

Officials at the **Department of Revenue** assume that due to the repeal of the language: Will not be subject to any ad valorem tax, "or to any yield tax on timber cut on such lands..." the Department believes that this tax would not be applicable and estimates a minimal to unknown impact.

Oversight notes this yield tax is collected on timber sold from participants in the Forest Cropland Program which is a long term healthy forest management program at the MDC. Participants sign up for the program for 15 years and must maintain a healthy forest using

ASSUMPTION (continued)

techniques provided by MDC. The participants receive a property tax abatement on the acreage in the program. Should they sell any timber off the participating property they pay a yield tax to the MDC. MDC uses that money plus their sales tax money to reimburse the counties for the property tax.

Oversight notes per statute this yield tax is currently deposited into the Conservation Commission fund. Currently 41 participants with a total of 45 tracts of forest are in the program.

§265.490 and §265.494

Officials from the **Department of Agriculture, Office of Prosecution Services and Office of the State Public Defender** each assume the proposal will have no fiscal impact on their respective organizations.

In response to similar legislation filed this year, SB 1006, officials from the **Attorney General's Office (AGO)** assumed that any potential costs arising from this proposal can be absorbed with existing resources. AGO may seek additional appropriations if there is a significant increase in litigation.

§414.032 Fuel Standards

Oversight assumes the granting of the waivers would be limited to very specific circumstances and would not have a fiscal impact.

§266.600 Regulation of Seeds or Fertilizers

In response to similar legislation filed this year, SB 1018, officials from the **Department of Agriculture, St. Louis County and the City of Kansas City** each assume the proposal will have no fiscal impact on their respective organizations.

Bill as a Whole

Officials at the **Department of Agriculture, the Department of Health and Senior Services, the Department of Natural Resources and the Department of Revenue** each assume there is no fiscal impact from this proposal.

In response to the previous version of this proposal, officials at the **Joint Committee on Administrative Rules** assumed there was no fiscal impact from this proposal.

In response to the previous version of this proposal, officials from the **Office of the Secretary of State (SOS)** stated many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided

ASSUMPTION (continued)

with core funding to handle a certain amount of normal activity resulting from each year’s legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE			
<u>Revenue Reduction</u> - Bison Sales Tax Exemption §144.010	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
 PARKS, SOIL & WATER FUND			
<u>Revenue Reduction</u> - Bison & Honey Bee Sales Tax Exemption §144.010	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON PARKS, SOIL & WATER	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021
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CONSERVATION COMMISSION FUNDS

<u>Revenue Reduction</u> - Bison & Honey Bee Sales Tax Exemption §144.010	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
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<u>Cost</u> - MDC - administrative costs to determine the source of deer meat §265.300	(Unknown)	(Unknown)	(Unknown)
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<u>Revenue Reduction</u> - repeal of the yield tax on timbers §254.075	(\$7,000)	(\$7,000)	(\$7,000)
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ESTIMATED NET EFFECT ON CONSERVATION COMMISSION	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
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SCHOOL DISTRICT TRUST FUND

<u>Revenue Reduction</u> - Bison & Honey Bee Sales Tax Exemption §144.010	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
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ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Reduction</u> - Bison and Honey Bee Sales Tax Exemption §144.010	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)

FISCAL IMPACT - Small Business

This proposal could have a fiscal impact by exempting some small businesses from paying or charging for state and local taxes associated with purchase, possession, or sale of bison and honey bees.

FISCAL DESCRIPTION

Currently, livestock is defined to include buffalo. This act adds the word "bison" to this definition. (§144.010 - §277.020)

This act provides that urban and community gardens, as defined in the act, shall be classified as agricultural and horticultural property for the purposes of property taxation. Urban and community gardens shall be graded as grade #4 under the rule promulgated by the State Tax Commission for establishing land values for agricultural land.

A taxpayer may apply to the county assessor, or, if not located within a county, then the assessor of such city, if the use or purpose of the taxpayer's real property has changed the subclass under which the real property is classified. If the assessor determines that the property shall be reclassified, he or she shall determine the assessment based on the percentage of the tax year that such property was classified in each subclassification. (§137.016 - §137.115)

For purposes of the Meat Inspection Program administered by the Missouri Department of Agriculture, this act modifies the definitions of "meat" and "meat product" to include captive cervids. Further, this act modifies the definition of "commercial plant" to include an establishment in which captive cervids are slaughtered, and modifies the definition of "unwholesome" to include captive cervids which have died other than by slaughter. (§265.300)

FISCAL DESCRIPTION (continued)

Current law provides for a yield tax on certain cuttings made on forest croplands. This act repeals such yield tax. (§254.075 and §254.210)

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

City of Kansas City
Department of Agriculture
Department of Conservation
Department of Health and Senior Services
Department of Natural Resources
Department of Revenue
Joint Committee on Administrative Rules
Office of Administration
Division of Budget and Planning
Office of the Attorney General
Office of Prosecution Services
Office of the Secretary of State
Office of the State Public Defenders
St. Louis County
State Tax Commission

Ross Strope



Acting Director
March 8, 2018