

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4296-03  
Bill No.: Truly Agreed To and Finally Passed SS for SCS for SB Nos. 627 & 925  
Subject: Agriculture, Agriculture Department, Animals, Motor Fuel  
Type: Original  
Date: June 22, 2018

---

Bill Summary: This proposal modifies provisions relating to agriculture.

**FISCAL SUMMARY**

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

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

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 9 pages.

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

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

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

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

## FISCAL ANALYSIS

### ASSUMPTION

#### §137.016 and §137.021 Urban and Community Gardens

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal 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.

**Oversight** notes that county assessors 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.

#### §144.010, §262.900, §267.565, §276.606, §277.020 Bison and Honey Bees

Officials at the **B&P** assume this proposal 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

ASSUMPTION (continued)

collections by less than \$100,000 and negatively impact the state's Article X, Section 18(e) calculation.

The bill would also redefine certain tax-related definitions of the term "livestock" to include "honey bees." Based on estimated honey bee production costs and sales in Missouri, B&P estimates this change 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.

§254.075, §254.210, §254.150 - §254.180 Department of Conservation (MDC) Yield Tax  
Officials at the **B&P** assume this 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. OA B&P defers to DOR and MDC for any specific estimates of its fiscal impact.

Officials at the **Department of Conservation (MDC)** assume a loss of \$7,000 to the Conservation Commission Fund.

**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 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.

§265.300 Captive Cervids

Officials from the **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.

ASSUMPTION (continued)

Bill as a Whole

Officials at the **Department of Agriculture**, the **Department of Revenue**, **Mississippi County**, the **Office of Prosecution Services**, the **Office of the State Public Defender** and the **State Tax Commission** each assume there is no fiscal impact from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>GENERAL REVENUE</b>			
<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> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>(Less than <u>\$100,000</u>)</b>	<b>(Less than <u>\$100,000</u>)</b>	<b>(Less than <u>\$100,000</u>)</b>
 <b>PARKS, SOIL &amp; WATER FUND</b>			
<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> )
<b>ESTIMATED NET EFFECT ON PARKS, SOIL &amp; WATER</b>	<b>(Less than <u>\$100,000</u>)</b>	<b>(Less than <u>\$100,000</u>)</b>	<b>(Less than <u>\$100,000</u>)</b>

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

**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)
---	-----------------------	-----------------------	-----------------------

<u>Cost</u> - MDC - administrative costs to determine the source of deer meat §265.300	(Unknown)	(Unknown)	(Unknown)
--	-----------	-----------	-----------

<u>Revenue Reduction</u> - repeal of the yield tax on timbers §254.075	( <u>\$7,000</u> )	( <u>\$7,000</u> )	( <u>\$7,000</u> )
--	--------------------	--------------------	--------------------

<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION</b>	<b>(Less than <u>\$100,000</u>)</b>	<b>(Less than <u>\$100,000</u>)</b>	<b>(Less than <u>\$100,000</u>)</b>
--	-------------------------------------	-------------------------------------	-------------------------------------

**SCHOOL DISTRICT TRUST 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> )
---	-------------------------------	-------------------------------	-------------------------------

<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b>(Less than <u>\$100,000</u>)</b>	<b>(Less than <u>\$100,000</u>)</b>	<b>(Less than <u>\$100,000</u>)</b>
---	-------------------------------------	-------------------------------------	-------------------------------------

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<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> )
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b>(Less than <u>\$100,000</u>)</b>	<b>(Less than <u>\$100,000</u>)</b>	<b>(Less than <u>\$100,000</u>)</b>

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

This act modifies provisions relating to agriculture.

URBAN AND COMMUNITY GARDENS (§137.016, §137.021, and §137.115) - 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.

LIVESTOCK (§144.010, §262.900, §265.300, §267.565, §276.606, and §277.020) - Currently, livestock is defined to include buffalo. This act adds the word "bison" to this definition.

This act also modifies the definition of "livestock" to include honey bees for the purposes of the state sales tax law.

FISCAL DESCRIPTION (continued)

YIELD TAX ON FOREST CROPLANDS (§254.075, §254.150, §254.160, §254.170, §254.180, and §254.210) - Current law provides for a yield tax on certain cuttings made on forest croplands. This act repeals such yield tax.

MEAT (§265.300, §265.490, and §265.494) - 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.

Currently, no person advertising, offering for sale, or selling a carcass shall engage in any misleading or deceptive practice including misrepresenting the cut, grade, brand or trade name, or weight or measure of any product. This act also prohibits misrepresenting a product as meat that is not derived from harvested production livestock or poultry.

SEEDS AND FERTILIZERS (§266.600) - This act prohibits political subdivisions from adopting or enforcing ordinances, rules, or regulations relating to the labeling, cultivation, or use of seeds or fertilizers. This act shall not apply to any ordinance enacted prior to August 28, 2018, and this act shall not apply to rice seed.

FUEL STANDARDS (§414.032) - Currently, all fuels shall meet American Society for Testing and Materials (ASTM) standards, in addition to rules promulgated by the Director of the Department of Agriculture. Under this act, the Director may waive specific requirements, or establish temporary alternative requirements in the event of an extreme and unusual fuel supply circumstance. Such waiver shall be as limited in scope and applicability as necessary, and shall apply equally and uniformly to all persons and companies in the impacted fuel supply and distribution system.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.



L.R. No. 4296-03

Bill No. Truly Agreed To and Finally Passed SS for SCS for SB Nos. 627 & 925

Page 9 of 9

June 22, 2018

SOURCES OF INFORMATION

Department of Agriculture

Department of Revenue

Mississippi County

Office of Administration

Division of Budget and Planning

Office of Prosecution Services

Office of the State Public Defender

State Tax Commission

Ross Strobe



Acting Director

June 22, 2018