

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1679S.01I  
 Bill No.: SB 354  
 Subject: Tax Credits; Taxation and Revenue - Income; Agriculture  
 Type: Original  
 Date: February 15, 2021

Bill Summary: This proposal would extend the sunset of tax credits for agricultural production.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	\$0	Up to (\$3,154,965) to (\$6,000,000)	Up to (\$3,154,965) to (\$6,000,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>Up to (\$3,154,965) to (\$6,000,000)</b>	<b>Up to (\$3,154,965) to (\$6,000,000)</b>

\*Oversight notes the range in the reported impacts stem from the continuation of existing tax credit programs at their current activity level (5 year average) and the annual program cap of \$6,000,000.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</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 2022</b>	<b>FY 2023</b>	<b>FY 2024</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 \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Missouri Department of Revenue (DOR)** state this proposed legislation extends the Agricultural Product Utilization Contributor Tax Credit program and the New Generation Cooperative Incentive Tax Credit program from December 31, 2021 to December 31, 2027. These credits **share** a \$6 million annual cap.

For information purposes, DOR shows the issuance and redemption of these credits over the last nine (9) years. These credits began in 1999.

Agricultural Product Utilization Credit

Fiscal Year	Authorized	Issued	Total Redeemed
FY 2020	\$5,705,000.00	\$182,377.36	
FY 2019	\$195,000.00	\$168,988.98	\$2,278,431.86
FY 2018	\$4,068,190.27	\$4,048,690.27	\$2,785,905.52
FY 2017	\$3,247,845.84	\$2,908,334.26	\$2,638,868.14
FY 2016	\$2,513,350.09	\$2,513,350.09	\$1,553,332.97
FY 2015	\$2,376,167.67	\$2,376,167.67	\$1,051,661.96
FY 2014	\$1,573,719.77	\$1,573,719.77	\$2,022,953.37
FY 2013	\$1,062,510.26	\$1,062,510.26	\$1,267,239.12
FY 2012	\$2,479,356.45	\$2,479,356.45	\$1,468,155.74
<b>TOTALS</b>	<b>\$23,221,140.35</b>	<b>\$17,313,495.11</b>	<b>\$15,066,548.68</b>

New Generation Cooperative Credit

Fiscal Year	Authorized	Issued	Total Redeemed
FY 2020	\$1,500,000.00	\$360,000.00	\$467,167.83
FY 2019	\$3,153,843.50	\$0.00	\$839,615.09
FY 2018	\$2,011,156.50	\$1,931,717.01	\$1,431,010.11
FY 2017	\$1,873,475.00	\$2,383,129.06	\$2,093,123.93
FY 2016	\$1,481,529.00	\$1,278,144.64	\$1,730,341.67
FY 2015	\$7,938,220.00	\$2,112,545.32	\$2,842,869.70
FY 2014	\$4,267,500.00	\$4,426,280.23	\$4,747,229.63
FY 2013	\$5,612,982.00	\$4,937,489.74	\$2,100,091.11
FY 2012	-\$652,500.00	\$2,023,500.00	\$826,952.82
<b>TOTALS</b>	\$27,186,206.00	\$19,452,806.00	\$17,078,401.89

DOR assumes this proposed legislation will not have any further fiscal impact on DOR or General Revenue (GR) as a result of the extended expiration date.

**Oversight** notes this proposed legislation extends the expiration date for the Agricultural Product Utilization Contributor Tax Credit, as authorized under Section 348.430 and the New Generation Cooperative Incentive Tax Credit, as authorized under Section 348.432.

**Oversight** further notes, the aggregate amount of tax credits issued per fiscal year under Section(s) 348.430 and 348.432 shall not exceed six million dollars (\$6,000,000). In May of each year, the Missouri Agricultural and Small Business Development Authority determines whether

six million dollars (\$6,000,000) will be utilized as New Generation Cooperative Incentive Tax Credits or not. The amount of New Generation Cooperative Incentive Tax Credit(s) that are determined to be unused may be sold as Agricultural Product Utilization Contributor Tax Credits.

**Oversight's** policy is to show the extension of the tax credit program(s) in the fiscal note. Oversight notes the current expiration date for the Agricultural Utilization Product Contributor Tax Credit and the New Generation Cooperative Incentive Tax Credit is December 31, 2021. Oversight notes this proposed legislation extends the expiration date to December 31, 2027. Oversight notes that taxpayers who are awarded the Agricultural Product Utilization Contributor Tax Credit or the New Generation Cooperative Incentive Tax Credit in Tax Year 2022 will not file their tax returns claiming the tax credit until after January 1, 2023 (Fiscal Year 2023). Therefore, Oversight will report the impact as a result of extending the end date of this tax credit program beginning in Fiscal Year 2023.

**Oversight** notes, per the Tax Credit Analyses received from the Missouri Department of Agriculture for Fiscal Year(s) 2016 - 2020, the Agricultural Product Utilization Contributor Tax Credit recognized the following activity:

Agricultural Product Utilization Contributor Tax Credit							
Fiscal Year	2016	2017	2018	2019	2020	2021 (Year To Date)	2022 (Budget Year)
<b>Certificates Issued (#)</b>	115	156	91	11	6	0	0
<b>Projects/Participants (#)</b>	12	13	14	23	9	0	0
<b>Amount Authorized</b>	\$2,513,350	\$3,247,846	\$4,068,190	\$195,000	\$190,000	\$0	\$0
<b>Amount Issued</b>	\$2,513,350	\$2,908,334	\$4,048,690	\$168,989	\$182,377	\$0	\$0
<b>Amount Redeemed</b>	\$1,553,333	\$2,638,686	\$2,785,906	\$2,278,432	\$2,713,523	\$0	\$0

**Oversight** notes the five (5) year average (Fiscal Year(s) 2016 – 2020) amount of Agricultural Product Utilization Contributor Tax Credit(s) issued equals \$1,964,348.

**Oversight** notes, per the Tax Credit Analyses received from the Missouri Department of Agriculture for Fiscal Year(s) 2016 - 2020, the New Generation Cooperative Incentive Tax Credit recognized the following activity:

New Generation Cooperative Incentive Tax Credit							
Fiscal Year	2016	2017	2018	2019	2020	2021 (Year To Date)	2022 (Budget Year)
<b>Certificates Issued (#)</b>	571	483	1076	0	24	0	0
<b>Projects/Participants (#)</b>	5	5	3	3	1	0	0
<b>Amount Authorized</b>	\$2,156,529	\$1,873,475	\$2,011,157	\$3,153,844	\$1,500,000	\$3,000,000	\$0

<b>Amount Issued</b>	\$1,278,145	\$2,383,129	\$1,931,810	\$0	\$360,000	\$0	\$0
<b>Amount Redeemed</b>	\$1,730,342	\$2,093,124	\$1,431,010	\$840,615	\$467,168	\$14,508	\$0

**Oversight** notes the five (5) year average (Fiscal Year(s) 2016 – 2020) amount of New Generation Cooperative Incentive Tax Credit(s) issued equals \$1,190,617.

Therefore, for purposes of this fiscal note, Oversight will report the extension of these tax credits as a reduction to GR by an amount “up to” \$3,154,965 (the combined five (5) year average amount of tax credits issued (\$1,964,348 + \$1,190,617)) to the shared cap of \$6,000,000, beginning in Fiscal Year 2023.

Officials from the **Missouri Department of Commerce and Insurance (DCI)** anticipate a potential unknown decrease of premium tax revenues (up to the tax credit limit established in the bill) as a result of the extension of the Agricultural Production tax credit. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year and which insurers will qualify for the tax credit.

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this proposed legislation will not have an impact on B&P, will not have a direct impact on General Revenue or Total State Revenue, and will not impact the calculation pursuant to Article X, Section 18(e).

Officials from the **Missouri Department of Agriculture** do not anticipate this proposed legislation will cause a fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for this organization.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>GENERAL REVENUE FUND</b>			
<u>Revenue Reduction – Section 348.436 – Extension of</u>			

Expiration Date For Agricultural Product Utility Contributor Tax Credit & New Generation Cooperative Incentive Tax Credit	<u>\$0</u>	<u>Up to (\$3,154,965) to (\$6,000,000)</u>	<u>Up to (\$3,154,965) to (\$6,000,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>Up to (\$3,154,965) to (\$6,000,000)</u></b>	<b><u>Up to (\$3,154,965) to (\$6,000,000)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

This proposed legislation could positively impact any small business that qualifies for the New Generation Cooperative Incentive Tax Credit or the Agricultural Product Utilization Tax Credit as such small business could reduce or eliminate such small business’s state tax liability.

FISCAL DESCRIPTION

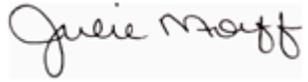
Current law authorizes tax credits for contributions to the Missouri Agriculture and Small Business Development Authority and investments in new generation cooperatives for the purpose of development of agricultural business, with such tax credit programs to expire December 31, 2021. This act extends such tax credits until December 31, 2027.

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

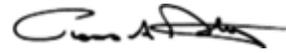
SOURCES OF INFORMATION

Office of Administration – Budget & Planning Division  
 Missouri Department of Commerce and Insurance  
 Missouri Department of Revenue  
 Missouri Department of Agriculture

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