COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1443S.03C
Bill No.: SCS for SB 466
Subject: Tax Credits; Taxation and Revenue - Income; Agriculture
Type: Original
Date: February 24, 2025

Bill Summary: This proposal modifies provisions relating to agricultural tax credits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2030)
General Revenue Fund*	$0	$0	$0	Could Exceed ($10,665,762 to $41,200,000)
Total Estimated Net Effect on General Revenue	**$0**	**$0**	**$0**	**Could Exceed ($10,665,762 to $41,200,000)**

Oversight reflects impact for FY 2030, as a continuation of all tax credits within the proposal as of January 1, 2029 (redeemed in FY 2030).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2030)
MASBDA Account*	$0	$0	$0	$0
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**	**$0**

*Oversight notes the Missouri Agricultural and Small Business Development Authority (MASBDA) account will net to zero as the collected fee under Section. 348.491 is used to pay for MDA FTE needed.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2030)
Total Estimated Net Effect on <u>All</u> Federal Funds	**$0**	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2030)
General Revenue Fund*	0 FTE	0 FTE	0 FTE	(Unknown)
Total Estimated Net Effect on FTE	**0 FTE**	**0 FTE**	**0 FTE**	**(Unknown)**

☒ 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.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2030)
Local Government	**$0**	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Section 135.305 Wood Energy Tax Credit

Officials from the **Department of Revenue** note this proposal is removing the termination date of the Wood Energy Tax Credit program. The Wood Energy tax credit program was created in 1985 to encourage the use of forest waste products (sawdust) to create new products. It is allowed an annual cap of $6 million but it is an appropriated credit. The General Assembly in FY 2025 appropriated $3,000,000. Here are the appropriations that have been made the last few years.

Fiscal Year	Appropriated	Action
2025	$3,000,000	
2024	$3,000,000	
2023	No appropriation given	
2022	$760,000	Vetoed by Governor
2021	$1,500,000	Governor withheld funding

There is no fiscal impact from the removal of the termination date.

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this proposal would allow the wood energy tax credits to be taken against financial institution and insurance premium taxes under Chapter 148, rather than corporate franchise taxes under Chapter 147. B&P notes that the corporate franchise tax has been eliminated since 2016.

This proposal does not change the annual $6 million limit. In addition, tax credits can only be taken against the GR portion of each tax. Therefore, this provision will not impact TSR.

Oversight notes, per the Tax Credit Analysis submitted to the Oversight by the **Department of Natural Resources** (**DNR**) the Wood Energy Tax Credit had the following activity:

Wood Energy Tax Credit	**FY 2019 Actual**	**FY 2020 Actual**	**FY 2021 Actual**	**FY 2022 Actual**	**FY 2023 Actual**	**FY 2024 Actual**
Certificates Issued (#)	9	8	8	0	6	0
Projects/Participants (#)	9	8	8	0	6	0
Amount Authorized	$678,887	$1,455,000	$717,800	$0	$3,000,000	$2,358,276
Amount Issued	$678,887	$1,455,000	$717,800	$0	$3,000,000	$2,358,276
Amount Redeemed	$789,077	$1,105,678	$1,014,359	$557,144	$1,656,582	$1,982,009

Oversight notes that per DNR budget request book, DNR 2025 budget request, DNR notes that The Wood Energy Tax Credit sunset in FY 2023 and was extended by HB 3 in the First Extraordinary Session of 2022. FY 2023 appropriation language did not allow for tax credits to be issued in FY 2023. A FY 2023 Supplemental Bill passed, with language allowing expenditure for the tax credits, tied to an additional $3,000,000, for a total of $6,000,000 appropriated. To prevent exceeding $3,000,000 allowed for the credit, the department placed $3,000,000 of the appropriation in agency reserve. (FY 2025 DNR Budget Request)

Oversight notes the proposal terminates the sunset for this section.

Oversight notes the DNR average three-year authorization, as shown by DNR tax credit analysis above (2022-2024) total $1,786,092 (0+3,000,000+2,358,276) / 3)). Since the cap for the Wood Energy Tax Credit is $6 million annually (subject to appropriation), for purposes of this fiscal note, **Oversight** will report the tax credit as a continuation of the current appropriation level $1,786,092 to the $6 million cap beginning in Fiscal Year 2030.

Section 135.686 Meat Processing Tax Credit Program

Officials from the **Department of Revenue (DOR)** assume This proposal is removing the stop date of the Meat Processing Tax Credit program. The Meat Processing tax credit program was created in 2018 to provide reimbursement of expenses to owners of meat processing facilities that expanded or made improvements to their facilities. It originally shared a $2 million cap with the Qualified Beef program until HB 3 passed in the extraordinary session of 2022 gave it its own $2 million cap. DOR presents the issuances and redemptions over the life of the credit.

Year	Issued	Total Redeemed
FY 2024	$860,662.58	$388,194.44
FY 2023	$462,912.46	$562,925.24
FY 2022	$1,304,244.48	$493,224.61
FY 2021	$829,675.76	$573,398.04
FY 2020	$1,162,452.67	$380,371.14
FY 2019	$552,807.59	$214,777.94
FY 2018	$286,781.89	$5,561.00

There is no fiscal impact from the extension of the sunset date. However, should the program actually be allowed to be sunset this could result in an unknown savings to the State of up to its $2 million cap.

Oversight notes the proposal terminates the sunset for this section.

Oversight notes, currently, for all tax years beginning on or after January 1, 2017, but ending on or before December 31, 2028, a taxpayer shall be allowed a tax credit for meat processing modernization or expansion as it relates to the taxpayer's meat processing facility.
Therefore, for purposes of this fiscal note, **Oversight** will report the extension of this tax credit as a reduction to GR by an amount "up to" $875,940 (the three (3) year average amount of Meat Processing Facility Investment Tax Credits issued) to $2,000,000 beginning in Fiscal Year 2030.

Section 135.772 Ethanol Retailers Tax Credit Program

Officials from the **Department of Revenue** assume this proposal removes the sunset clause from the Ethanol Retailers Tax Credit Program. This tax credit program was created in HB 3 from the extraordinary session of 2022 and was modified again in SB 138 in the 2023 session. The program was given a $5 million annual cap. At this time, DOR does not have information on the usage of the program as it has just started.

There is no fiscal impact from the removal of the sunset clause language. However, should the program actually be allowed to stop this could result in an unknown savings to the State of up to its $5 million cap.

Oversight notes, for all tax years beginning on or after January 1, 2023, a retail dealer that sells higher ethanol blend at such retail dealer's service station is allowed a tax credit to be taken against the retail dealer's state income tax liability. The tax credit shall be equal to five cents ($0.05) per gallon of higher ethanol blend sold. The tax credits authorized shall not be transferred, sold, or assigned. The tax credits authorized shall not be refundable. Any amount of tax credits that exceeds a taxpayer's tax liability shall be permitted to be carried forward to any of the five (5) subsequent tax years.

Oversight notes the State of Iowa (Iowa) provides several tax credits for biofuel sales by retailers and blenders. Two (2) of Iowa's tax credits are the E15 Plus Gasoline Promotion Tax Credit and E85 Gasoline Promotion Tax Credit.

Iowa's E15 Plus Gasoline Promotion Tax Credit is available to retail dealers of gasoline who sell blended gasoline that is classified as E15 Plus but not classified as E85 gasoline. Currently, Iowa's tax credit is considered seasonal; providing various amounts of credit(s) at different times of the year. From June 1 – September 15 of each year, the tax credit is awarded at $0.10 per gallon. At all other times, the tax credit is awarded at $0.03 per gallon.

Based on Iowa's Biofuel Tax Credits - Tax Credit Program Evaluation Study from December 2024, **Oversight** notes the following taxpayer claims for the E15 Plus Gasoline Promotion Tax Credit for Tax Years 2017-2022 in Iowa below:

Tax Year	**Corporation**	**Individual**	**Pass-Through**	**Total**
2017	$138,555	$446,045	$1,479,038	$2,063,638
2018	$205,875	$5,809	$1,905,902	$2,117,586
2019	$312,524	$18,218	$2,921,595	$3,252,337
2020	$461,434	$13,685	$3,615,495	$4,090,614
2021	$645,210	$18,024	$4,901,234	$5,564,468
2022	$1,409,135	$575,029	$1,883,047	$3,867,211

*Source: Iowa Biofuel Tax Credit Program Evaluation Study - Table 13 on p.43

Iowa's E85 Gasoline Promotion Tax Credit is available to retail dealers of motor fuel that sell E85. A tax credit can be claimed for each gallon of E85 sold by the retailer during the tax year. The current tax credit is calculated at $0.06 per gallon.

Oversight notes the taxpayer claims to the E85 Gasoline Promotion Tax Credit for Tax Years 2017-2022 in Iowa below:

Tax Year	**Corporation**	**Individual**	**Pass-Through**	**Total**
2017	$648,105	$133,577	$1,906,343	$2,688,025
2018	$688,996	$27,732	$2,150,928	$2,867,656
2019	$797,094	$22,502	$2,003,071	$2,822,667
2020	$799,583	$23,879	$1,392,859	$2,216,321
2021	$921,888	$36,563	$2,058,399	$3,016,850
2022	$1,039,504	$52,668	$2,064,441	$3,156,613

*Source: Iowa Biofuel Tax Credit Program Evaluation Study - Table 14 on p. 44

Using the 9 State Energy Consumption Estimates – 1960 through 2019, published by the U.S. Energy Information Administration, Oversight compared various energy consumption estimates for Iowa and Missouri. Oversight provides the comparison below:

2019 - State Energy Consumption Estimates - U.S. Energy Information Administration			
Iowa and Missouri	Iowa	Missouri	Iowa As a Percent of Missouri
Barrels of Fuel Ethanol	4,274,000	7,378,000	58%
Total Motor Gasoline - Including Fuel Ethanol (btu)	186,900,000,000,000	376,200,000,000,000	50%
Total Fuel Ethanol (btu)	14,900,000,000,000	25,700,000,000,000	58%
Total Energy Consumption by End - Use Sector (Transportation)	303,100,000,000,000	555,100,000,000,000	55%
Iowa As a Percent of Missouri/Topic Average			55%

Oversight assumes, based on the Iowa and Missouri energy consumption comparison shown above, that Iowa's fuel ethanol operations (specific to end user consumption/transportation) could be operating at 55% capacity of Missouri's fuel ethanol operations.

Using information included in Iowa's Biofuel Retailers Tax Credits Program Evaluation Study (December 2019), Oversight reviewed the amount of tax credits claimed in 2016 for Iowa's E15 Plus and E85 Promotion Tax Credit(s) to estimate the number of gallons sold by tax credit claimants and compared such estimate to the *actual* number of gallons sold:

<table>
<tr><th colspan="7">State of Iowa Summary</th></tr>
<tr><th colspan="6">E85 Gasoline Promotion Tax Credit</th><td rowspan="2">Actual Total Number of E15-20 & E85 Gallons Sold In Iowa</td></tr>
<tr><td>Iowa Actuals (2016)</td><td>Amount Claimed</td><td colspan="2">Iowa Tax Credit %</td><td>Oversight Estimated Number of Gallons Claimed By Tax Credit Claimants</td><td>Actual Number of Gallons Sold</td></tr>
<tr><td>E85 is a blend of gasoline that contains between 70% and 85% ethanol.</td><td>$2,143,259</td><td colspan="2">$0.16 per gallon</td><td>13,395,368.75</td><td>13,471,861</td><td rowspan="5">22,506,449</td></tr>
<tr><th colspan="6">E15 Plus Gasoline Promotion Tax Credit</th></tr>
<tr><td>Iowa Actuals (2016)</td><td>Amount Claimed</td><td>Iowa Tax Credit %</td><td>Amount Claimed Per %</td><td rowspan="3">8,915,127.11</td><td rowspan="3">9,034,588</td></tr>
<tr><td rowspan="2">E15 Plus are blends of gasoline that contain between 15% and 69% ethanol</td><td rowspan="2">$426,788</td><td>June 1 - September 15 - $0.10 per gallon</td><td>$227,620</td></tr>
<tr><td>All Other Dates - $0.03 per gallon</td><td>$199,168</td></tr>
</table>

Oversight notes the amount of estimated gallons sold by tax credit claimants and the actual amount of gallons sold are very similar. Therefore, Oversight anticipates a near one hundred percent (100%) participation rate in Missouri for each gallon of qualifying fuel sold.

Oversight notes, based on the data reported above, the total amount of E-15 & 20 & E85 gallons sold in Iowa during 2016 totals 22,506,449.

If the assumption that Iowa's fuel ethanol operations are operating at 55% capacity of Missouri's fuel ethanol operations is accepted, Oversight estimates Missouri's total E15 Plus and E85 gallons sold could total 40,920,816 gallons (22,506,449 / 55%). Oversight notes, a tax credit equal to $0.05 per gallon would generate a total amount of tax credits equal to $2,046,041 (40,920,816 * $0.05).

Oversight notes the tax credit created would automatically be sunset on December 31, 2028; however, by the repeal of the sunset the proposal reauthorizes continuation of the tax credit after the date.

Oversight notes the actual usage and impact of this proposed legislation is unknown. For purposes of this fiscal note, Oversight will report a revenue reduction to GR equal to a range beginning with an amount "Up to" $2,046,041 (as estimated by Oversight) to $5,000,000 beginning in Fiscal Year 2030.

Section 135.775 Biodiesel Retailers Tax Credit Program

Officials from the **Department of Revenue** assumes this proposal removes the sunset clause on the Biodiesel Retailers Tax Credit Program. This tax credit program was created in HB 3 from the extraordinary session of 2022 and was modified again in SB 138 in the 2023 session. The program was given a $16 million annual cap. At this time, DOR does not have information on the usage of the program as it has just started.

There is no fiscal impact from the removal of the sunset clause language. However, should the program actually be allowed to stop this could result in an unknown savings to the State of up to its $16 million cap.

This proposal adds language that should the credit be apportioned, and that apportionment causes a balance-due notice to be generated, the taxpayer will be granted 60 days to make their payment before interest and penalties can be assessed on the balance-due. DOR assumes no impact from this provision.

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this proposal would waive additions to tax, interest, and penalties on tax liabilities resulting solely from a tax credit limit-denial, if the resulting tax due is paid within 60 days. B&P notes that this would only apply to tax credits that are apportioned among taxpayers if redemptions are greater than the amount allowed per statute or appropriation.

B&P notes that currently taxpayers are encouraged to remit their full tax liability, calculated before a tax credit, in case their tax credit claim is denied. However, based on additional information taxpayers are not actually able to remit a payment above the balance due amount shown on their original return until that amount has been amended by DOR. Therefore, taxpayers receiving apportioned credits end up with a tax due notice, with interest and penalties currently levied on the overdue amount.

Based on information provided by DOR, this provision could reduce TSR by an unknown, likely minimal, amount.

Oversight notes the officials from the **B&P** assume there is no fiscal impact stemming from the penalty-interest provision for this tax credit. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.
Therefore, Oversight will reflect zero impact for this section in the fiscal note.

Oversight notes that Missouri ranked among the top one-third of states in biodiesel consumption of 30 million gallons in 2022. [per latest EIA data] (State by State Biodiesel Consumption EIA.GOV). Oversight agrees with the DOR's estimated impact of this tax credit; however, will show the lower estimated impact as average of the total sales between 2% & 5% because the actual sales information does not indicate the percent of mix of the fuel estimates. Oversight calculates the average of sales as follows:

Total Consumption 2022	30,000,000
2% credit per gallon	600,000
5% credit per gallon	1,500,000
Average of 2% & 5%	$1,050,000

Oversight, notes the following taxpayer claims for the Biodiesel Blended Fuel Tax Credit for Tax Years 2017-2022 in Iowa below:

Tax Year	Corporation	Individual	Pass-Through	Total
2017	$3,448,447	$1,020,987	$14,997,231	$19,466,665
2018	$5,078,248	$199,403	$15,249,544	$20,527,195
2019	$7,401,473	$205,852	$15,743,068	$23,350,393
2020	$7,687,481	$189,448	$15,725,667	$23,602,596
2021	$7,248,109	$273,422	$14,444,740	$21,966,271
2022	$5,628,574	$4,010,792	$7,303,268	$16,942,634

*Source: Iowa Biofuel Tax Credit Program Evaluation Study - Table 15 p. 45

Oversight notes that the DOR reported the FY 2024 redemption amount total $1,238,009Therefore, Oversight will reflect the estimated impact of reduction in general revenues beginning Fiscal Year 2030 ranging from $1,238,009 up to all available cap of $16,000,000.

Section 135.778 Biodiesel Producers Tax Credit Program

Officials from the **Department of Revenue** assume this proposal removes the sunset clause on the Biodiesel Producers Tax Credit Program. This tax credit program was created in HB 3 from the extraordinary session of 2022 and was modified again in SB 138 in the 2023 session. The program was given a $5.5 million annual cap. At this time, DOR does not have information on the usage of the program as it has just started.

There is no fiscal impact from the removal of the sunset clause. However, should the program actually be allowed to stop this could result in an unknown savings to the State of up to its $5.5 million cap.

Oversight notes the section further clarifies & adds a language regarding distributors that sell biodiesel blend directly to final users located in the state. Oversight assumes the clarification will not have an additional fiscal impact.

Oversight notes that Missouri ranked among the top one-third of states in a biodiesel production of 247 million gallons in 2022. Oversight will assume that there is range of 50% and 100% participation rate in this program for purpose of this fiscal note.

Origination Type	Tax Credit* Annual Consumption	Total
Blend of at least eighty percent feedstock originates in Missouri	($0.02 * 247,000,000)*.8	$ 3,592,000
100% percent blend	($0.02 * 247,000,000)*1	$4,940,000
Average of both @ 100% participation rate		**$4,266,000**
Average of both @ 50% participation rate		**$2,133,000**

Oversight notes the proposal eliminates the sunset for this section.

Oversight notes that the DOR reported the FY 2024 redemption amount total $2,265,248 Therefore, Oversight will reflect the estimated impact of reduction in general revenues beginning Fiscal Year 2030 ranging from $2,265,248 up to all available cap of $5,500,000.

Section 135.1610 Urban Farm Tax Credit Program

Officials from the **Department of Revenue (DOR)** assume this proposal removes the sunset clause on the Urban Farm Tax Credit Program. This tax credit program was created in 2022 to provide a credit to help people start urban farms in their neighborhoods. The program was given a $200,000 annual cap. At this time, DOR does not have information on the usage of the program as it has just started.

There is no fiscal impact from the removal of the sunset clause language. However, should the program actually be allowed to stop this could result in an unknown savings to the State of up to its $200,000 cap.

Oversight notes the Senate Substitute allows for the maximum of $25,000 award to one of the potential applicant, and the total tax credit must not surpass $200,000 annually for the entire program. Therefore, there could be potentially a minimum of 8 ($200,000/$25,000) urban farms who could receive the tax credit.

Oversight notes this proposal allows for recapture of tax credits issued in circumstances where the use of the tax credit is deemed for the personal benefit of the taxpayer thus in violation of the act. Therefore, **Oversight** will reflect <u>an unknown saving to the General Revenue</u> in the fiscal note <u>beginning FY 2030.</u>

Section 137.1018 Rolling Stock Tax Credit Program

Officials from the **Department of Revenue (DOR)** assume This proposal is removing the sunset clause of the Rolling Stock Tax Credit program. The Rolling Stock tax credit program was created in 1999. It is an appropriated credit with no limit as the amount that can be appropriated. The General Assembly in FY 2025 appropriated $500,000. For informational purposes only, DOR is providing the amount of appropriations that have been made the last few years.

Fiscal Year	Appropriated	Action
2025	$500,000	
2024	$200,000	
2023	$200,000	
2022	$0	
2021	$0	
2020	$0	
2019	$0	
2018	$0	
2017	$600,000	Governor withheld $300,000
2016	$300,000	
2015	$2,000,000	Governor vetoed
2014	$4,000,000	Governor vetoed

There is no fiscal impact from the removal of the sunset clause language. However, should the program actually be allowed to stop this could result in an unknown savings to the State of up to the $4 million the highest appropriated amount to date.

Oversight notes the Rolling Stock Tax Credit recognized the following history:

Rolling Stock Tax Credit							
Fiscal Year	2018	2019	2020	2021	2022	2023	2024
Amount Authorized	$0	$0	$0	$0	$0	$194,000	$194,000
Amount Issued	$0	$0	$0	$0	$0	$0	$0
Amount Redeemed	$0	$0	$0	$0	$0	$0	$0

For additional information regarding the Rolling Stock tax credit program, please refer to the Oversight Division's sunset review performed in 2019.
https://www.legislativeoversight.mo.gov/oversight/Sunset_Reviews/Rolling.pdf

Oversight notes the proposal eliminates the sunset for this section.

For purposes of this fiscal note, **Oversight** will report a costs to the General Revenue (GR) equal to a range, beginning at $0 (no appropriation is made for the Rolling Stock Program) "up to or could exceed" $200,000 (highest final approved budget authority to date, future appropriations could be larger) beginning in Fiscal Year 2030.

Section 348.436 Agricultural Product Utilization Contributor and the New Generation Cooperative Tax Credit Programs.

Officials from the **Department of Revenue (DOR)** assume This proposal removes the stop date on the Agricultural Product & New Generation Coop Tax Credit Programs. These tax credit programs were created in 1999 to encourage investment in the agricultural field. These two programs share a $2 million annual cap. Here are the authorizations, issuances and redemptions of these programs over the last several years.
Ag Product

Year	**Issued**	**Total Redeemed**
FY 2024	$73,133.75	$10,357.00
FY 2023	$11,000.00	$137,762.00

FY 2022	$0.00	$305,376.33
FY 2021	$146,325.46	$654,873.01
FY 2020	$182,377.36	$2,713,522.64
FY 2019	$168,988.98	$2,278,431.86
FY 2018	$4,048,690.27	$2,785,905.52
FY 2017	$2,908,334.26	$2,638,868.14
FY 2016	$2,513,350.09	$1,553,332.97
FY 2015	$2,376,167.67	$1,051,661.96
FY 2014	$1,573,719.77	$2,022,953.37
FY 2013	$1,062,510.26	$1,267,239.12
FY 2012	$2,479,356.45	$1,468,155.74

New Generation

Year	Authorized	Issued	Total Redeemed
FY 2025			$0.00
FY 2024	$0.00	$0.00	$680,420.53
FY 2023	$0.00	$0.00	$1,533,528.18
FY 2022	$3,000,000.00	$2,322,480.13	$2,274,059.00
FY 2021	$12,650,000.00	$3,406,311.34	$462,260.73

FY 2020	$1,500,000.00	$360,000.00	$467,167.83
FY 2019	$3,153,843.50	$0.00	$840,615.09
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

There is no fiscal impact from the removal of the sunset date. However, should the programs actually be allowed to be sunset this could result in an unknown savings to the State of up to its $2 million shared cap.

Oversight notes this proposed legislation eliminates the sunset 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 notes if on May 1st of each year the Missouri Agricultural and Small Business Development Authority determines that any of the $6,000,000 will not be utilized as New Generation Cooperative Incentive Tax Credits then the unused credits may be sold as Agricultural Product Utilization Contributor Tax Credits. Credits not issued as New Generation Cooperative Incentive Tax Credits or sold as Agricultural Product Utilization Contributor Tax Credits lapse June 30th of each year.

Oversight notes the five (5) year average (Fiscal Year(s) 2020 – 2024) amount of Agricultural Product Utilization Contributor Tax Credit(s) issued equals $764,378.
Oversight notes the five (5) year average (Fiscal Year(s) 2020 – 2024) amount of New Generation Cooperative Incentive Tax Credit(s) issued equals $990,054.

Therefore, for purposes of this fiscal note, **Oversight** will report the extension of these tax credits as a <u>reduction</u> to GR by an amount "up to" $1,754,432 (the combined five (5) year average amount of tax credits issued ($764,378 + $990,054)) to the shared cap of $6,000,000, beginning in <u>Fiscal Year 2030</u>.

Section 348.491 & 348.493 Specialty Agricultural Crops Tax Credit Program

Officials from the **Department of Revenue (DOR)** assume This proposal removes the sunset clause language on the Specialty Agricultural Crops Tax Credit Program. This tax credit program was created in 2022 to provide credit to farmers to help them get started in farming. The program was given a $300,000 annual cap. At this time, DOR does not have information on the usage of the program as it has just started.

There is no fiscal impact from the removal of the sunset clause language. However, should the program actually be allowed to stop this could result in an unknown savings to the State of up to its $300,000 cap.

Oversight notes that according to the United States Department of Agriculture – Census of Agriculture (2022 Census Volume 1, Chapter 1: State Level Data - Table 35 - Specified Crops by Acres Harvested (2022 and 2017)), there were 3,654 existing farms involved in cultivation of such a harvest. The breakdown is shown below:

Vegetables	1,388
Orchards	1,559
Berries	853
Total	3,800

Oversight notes the proposal limits this loan opportunity only to those farms with annual gross sales below $100,000. According to the MDA website there are currently 90,000 farms in Missouri. https://agriculture.mo.gov/aboutMDA.php

Oversight notes, using data for Missouri (2022 Census Volume 1, Chapter 1: State Level Data - Table 1 Historical Highlights), that there are currently about 74,135 farms which would potentially qualify for this program. The data regarding Special Crop Farms above, does not specify the annual sales produced by each farm (above or below $100,000).

Table 1.

Market Value Sold (product in $)	**Farm(s)**
Less than ,1000	20,473
1,000 to 2,499	7,021
2,500 to 4,999	7,148
5,000 to 9,999	9,623
10,000 to 19,999	9,673
20,000 to 24,999	3,337
25,000 to 39,999	6,772
40,000 to 49,999	3,353
50,000 to 99,999	6,735
Total	**74,135**

However, Oversight notes that using MDA and U.S. Census for Agriculture, there could be potentially about 82.4% (74,135 / 90,000) of all Special Crop Farms (from 3,800) making below the $100,000 limit. This would represent about 3,131 farms currently harvesting special crops and potentially eligible for up to $35,000 loan.

Oversight notes the proposal eliminates the sunset for this section.

Oversight notes Section 348.491 allows for one-time maximum loan of $35,000 per such a farm. The lender is then required to forgive the first year's interest on such a loan.

Oversight notes Section 348.491 allows for one-time maximum loan of $35,000 per such a farm. The lender is then required to forgive first year interest on such a loan.

Oversight notes the total amount of loans is not restricted, however the lender tax credits proposed in Section 348.493 below are restricted to $300K. According to MASBDA (see HB 1720 – 2022), agriculture loans are typically made at higher interest rates than a home mortgage or vehicle. They estimate interest rates for the loans associated with this program could be from 5% - 10%.

• 5% rate: The potential loans would be up to $6M ($300,000 = .05x; x = $300,000/.05) and potential fees would be up to $60K ($6M x 1%).

• 10% rate: The potential loans would be up to $3M ($300,000 = .10x; x = $300,000/.10) and potential fees would be up to $30K ($3M x 1%).

MDA, in further conversations with Oversight via e-mail in response to the previous version of the proposal, notes that MASBDA currently does not receive any General Revenue or Federal funds to administer any programs. All revenues are fee based and used to pay for administrative costs. The assumption is that a nonrefundable application fee of $100 will be charged to each applicant. Section 348.080 gives MASBDA the authority to collect fees and charges, as the authority determines to be reasonable, in connection with its loans, advances, insurance, commitments, and servicing.

Oversight notes that MDA, via phone-call with Oversight in response to the previous version of the proposal, noted the fee is deposited to the MASBDA account that is used to pay for the necessary FTEs to run the program.

Therefore, **Oversight** will show the potential gain in revenue, in FY 2030 from the collection of the 1% in fees to the MASBDA, as a range from less or more of higher amount of $60,000 if the lender applies 5% interest for the loans.

Additionally, **Oversight** will reflect cost to the MASBDA account for the FTE's needed to comply with the program.

Lastly, **Oversight** will reflect MASBDA account nets to zero due to the 1% collection fee paying for the FTE needed to run the program in FY2030.

Officials from the **Department of Commerce and Insurance (DCI)** note:

<u>Section 348.493</u>:

A potential unknown decrease of premium tax revenues (up to the tax credit limit established in the bill) in FY2026, FY2027, and FY2028 as a result of the modification of the Specialty Agricultural Crops Act 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.

Oversight notes, for purposes of this fiscal note, the fiscal note does not reflect the possibility that some of the tax credits could be utilized against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

Overall, Bill:

Officials from the **Department of Revenue (DOR)** assume the Department will need to update the DOR tax credit forms ($2,200), website, and computer programs to make the necessary changes ($1,832). This is estimated to cost $4,032.

Oversight notes **Office of Administration – Budget & Planning (B&P)** assume this proposal would sunset language for ten active tax credits and one active loan program. As these programs are still active, this proposal will: - Not impact TSR. - Not impact the calculation under Article X, Section 18(e). - Not impact B&P.

In response to the previous version of the bill, officials from the **Department of Economic Development** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Officials from the **Department of Natural Resources**, the **Missouri Department of Transportation**, the **Missouri Department of Conservation**, and the **Missouri Department of Agriculture** each assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for above respective agencies.

The Oversight Division is responsible for providing a Sunset Report pursuant to Section 23.253 RSMo; however, Oversight can absorb the cost with the current budget authority. Therefore, **Oversight** will reflect a zero impact in the fiscal note.

Officials from the **City of Kansas City (CKC**) and the **City of O'Fallon** both assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for the CKC.

<u>Rule Promulgation</u>

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to the previous version, officials from the **Office of the Secretary of State (SOS)** noted 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 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 $5,000. 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 the costs may be in excess of what the office can sustain with its 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.

FISCAL IMPACT – State Government	FY 2026 (10 Mo.)	FY 2027	FY 2028	Fully Implemented (FY 2030)
GENERAL REVENUE FUND				
Cost – Section 135.305 – Extension of the Wood Energy Tax Repeal of Sunset p.4	$0	$0	$0	($1,786,092) or up to ($6,000,000) depending on appropriation
Costs – Section 135.686 - Extension of Meat Processing Facility Investment Tax Credit repeal of sunset p.5	$0	$0	$0	($875,940) Up to ($2,000,000)
Costs – Section 135.772 – Tax Credit For Ethanol Blended Fuel Sales repeal of sunset p.8	$0	$0	$0	($2,046,041) Up to ($5,000,000)
Cost – Section 135.775 – Tax Credit for Retail Sellers of Biodiesel repeal of sunset p.9	$0	$0	$0	($1,238,009) Up to ($16,000,000)
Cost - Section 135.778 – Tax Credit for Producers of Biodiesel repeal of sunset - p.10	$0	$0	$0	($2,265,248) Up to ($5,500,000)
Cost – Section 135.1610 Urban Tax Credits repeal of sunset - p.11	$0	$0	$0	Up to ($200,000)
Cost – Section 137.1018 - Rolling Stock Tax Credits - p.12	$0	$0	$0	Up to ($200,000)
Cost – All above Sections FTE to administer tax credits	$0	$0	$0	(Unknown)

Cost – Section 348.493.2 – Special Crop Lenders Tax Credit - p.12-14	$0	$0	$0	Up to ($300,000)
Cost – Section 348.436 – Utilization Contributor and New Generation Tax Credits - p.12	$0	$0	$0	($1,754,432) Up to ($6,000,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**$0**	**$0**	**$0**	**Could exceed ($10,665,762 to $41,200,000)**
Estimated Net FTE Change on General Revenue	0 FTE	0 FTE	0 FTE	(Unknown)
MISSOURI AGRICULTURAL AND SMALL BUSINESS DEVELOPMENT AUTHORITY ACCOUNT				
Revenue Gain – 1% Application review fee - p.14	$0	$0	$0	($60,000)
Cost – MDA FTE – to maintain and comply with the program p.14	$0	$0	$0	(Unknown)
ESTIMATED NET EFFECT ON THE MISSOURI AGRICULTURAL AND SMALL BUSINESS DEVELOPMENT AUTHORITY ACCOUNT	**$0**	**$0**	**$0**	**$0**

FISCAL IMPACT – Local Government	FY 2026 (10 Mo.)	FY 2027	FY 2028	Fully Implemented (FY 2030)
	$0	**$0**	**$0**	**$0**

FISCAL IMPACT – Local Government	FY 2026 (10 Mo.)	FY 2027	FY 2028	Fully Implemented (FY 2030)

FISCAL IMPACT – Small Business

A direct fiscal impact to small businesses would be expected as a result of this proposal as many will be able to take advantage of the proposed extension amongst various business tax credits.

FISCAL DESCRIPTION

This act modifies provisions relating to agricultural tax credits.

WOOD ENERGY TAX CREDIT

A tax credit for the production of certain wood-energy processed wood products expires on June 30, 2028. This act repeals such sunset. (Section 135.305)

MEAT PROCESSING FACILITIES TAX CREDIT

The Meat Processing Facility Investment Tax Credit for the expansion or modernization of meat processing facilities expires on December 31, 2028. This act repeals such sunset. (Section 135.686)

HIGHER ETHANOL FUEL TAX CREDIT

A tax credit for the sale of higher ethanol blend fuels expires on December 31, 2028. This act repeals such sunset. (Section 135.772)

BIODIESEL RETAIL SALE TAX CREDIT

A tax credit for the sale of biodiesel fuels expires on December 31, 2028. This act repeals such sunset.

This act provides that a taxpayer shall not be liable for penalties or interest on an income tax balance due if such taxpayer is denied part or all of a tax credit to which the taxpayer has qualified due to lack of available funds, and such denial causes a balance-due notice to be generated by the Department of Revenue or any other redeeming agency. Such taxpayer shall pay the balance due within sixty days or be subject to penalties and interest pursuant to current law. (Section 135.775)

BIODIESEL PRODUCTION TAX CREDIT

A tax credit for the production of biodiesel fuels expires on December 31, 2028. This act repeals such sunset. (Section 135.778)

URBAN FARMS TAX CREDIT

A tax credit for the establishment or improvement of urban farms expires on December 31, 2028. This act repeals such sunset. (Section 135.1610)

ROLLING STOCK TAX CREDIT

A tax credit for eligible expenses incurred in the manufacture, maintenance, or improvement of a freight line company's qualified rolling stock expires on August 28, 2028. This act repeals such sunset. (Section 137.1018)

AGRICULTURAL PRODUCTION TAX CREDITS

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 expire on December 31, 2028. This act repeals such sunset. (Section 348.436)

SPECIALTY AGRICULTURAL CROPS

The "Specialty Agricultural Crops Act" loan program for family farmers and tax credits for lenders expires on December 31, 2028. This act repeals such sunset. (Sections 348.491 and 348.493)

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 Revenue
Office of Administration – Budget & Planning
Missouri Department of Agriculture
Department of Economic Development
Missouri Department of Conservation
Department of Natural Resources
Missouri Department of Transportation
Joint Committee on Administrative Rules
Oversight Division
City of Kansas City

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February 24, 2025

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