COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5521S.01I
Bill No.: SB 913
Subject: Agriculture; Railroads; Tax Credits; Taxation and Revenue - Income
Type: Original
Date: January 14, 2026

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029	Fully Implemented (FY 2030)
General Revenue*	($347,984)	($9,872,420)	($9,878,888)	Could exceed ($34,304,202 to $51,386,466)
Total Estimated Net Effect on General Revenue	**($347,984)**	**($9,872,420)**	**($9,878,888)**	**Could exceed ($34,304,202 to $51,386,466)**

Oversight reflects the fiscal impact for the continuation of tax credits beginning January 1, 2029 (redeemed in FY 2030). Oversight reflects the cost of FTE for DED and DOR.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029	Fully Implemented (FY 2030)
MASBDA*	$0	$0	$0	$0
Total Estimated Net Effect on <u>Other</u> 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 2027	FY 2028	FY 2029	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 2027	FY 2028	FY 2029	Fully Implemented (FY 2030)
General Revenue	Up to 3 FTE	Up to 3 FTE	Up to 3 FTE	Up to 3 FTE
Total Estimated Net Effect on FTE	**Up to 3 FTE**	**Up to 3 FTE**	**Up to 3 FTE**	**Up to 3 FTE**

☒ 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 2027	FY 2028	FY 2029	Fully Implemented (FY 2030)
Local Government	**$0**	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

§135.305 - Wood Energy Tax Credit

Officials from the **Department of Revenue (DOR)** assume this proposal removes the expiration language of the wood energy tax credit which would allow the credit to continue into the future. 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 2026 appropriated $4,800,000. Here are the appropriations that have been made the last few years.

Fiscal Year	Appropriated	Action
2026	$4,800,000	
2025	$3,000,000	
2024	$3,000,000	
2023*	$3,000,000	
2022	$760,000	Vetoed by Governor
2021	$1,500,000	Governor withheld funding

There is no fiscal impact from the removal of the expiration date. However, should the program actually be allowed to expire this could result in an unknown savings to the State of up to the $6 million allowed to be appropriated.

Oversight notes the FY 2023 appropriation language initially did not allow for tax credits to be issued in FY 2023; however, the Supplemental Bill passed, with language allowing expenditure for the tax credit for the year.

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 by the **Department of Natural Resources** (**DNR**) the Wood Energy Tax Credit shows following activity:

Wood Energy Tax Credit	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual
Certificates Issued (#)	*0*	6	0	0
Projects/Participants (#)	*0*	6	0	0
Amount Authorized	$0	$3,000,000	$2,358,276	$3,000,000
Amount Issued	$0	$3,000,000	$2,358,276	$3,000,000
Amount Redeemed	$557,144	$1,656,582	$1,982,009	$740,000

Oversight notes that per DNR budget request book, DNR 2025 budget request, pg. 513-518, 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; however, 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, currently, for all tax years beginning on or after January 1, 2017, but ending on or before December 31, 2028. This proposed legislation modifies the "end date" of this tax credit program by removing the sunset language.

Oversight notes the DNR average three-year authorization, as shown by DNR tax credit analysis above (2023-2025) totaling $2,786,092 (3,000,000+2,358,276+3,000,000) / 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 reflect continuation of the current appropriation level $2,786,092 to the $6 million cap beginning in Fiscal Year 2030.

§135.686 - Meat Processing Tax Credit Program

Officials from the **Department of Revenue** 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 and gave it its own $2 million cap. DOR is presenting the authorizations, issuances and redemptions over the life of the credit.

Year	Authorized	Issued	Total Redeemed
FY 2025	$535,588.24	$535,588.24	$447,767.36
FY 2024	$863,111.66	$860,662.58	$388,194.44
FY 2023	$462,912.46	$462,912.46	$562,925.24
FY 2022	$1,304,224.48	$1,304,244.48	$493,224.61
FY 2021	$829,675.76	$829,675.76	$573,398.04
FY 2020	$1,171,805.57	$1,162,452.67	$380,371.14
FY 2019	$627,807.59	$552,807.59	$214,777.94
FY 2018	$286,781.89	$286,781.89	$5,561.00

DOR notes this proposal is expanding this credit to allow it to be claimed by financial institutions under chapter 148. DOR notes this could increase the number of filers that could use this credit. Since this proposal has a cap, the DOR assumes no additional fiscal impact from the proposal.

There is no fiscal impact from the removal 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, 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.
This proposed legislation modifies the "end date" of this tax credit program by removing the sunset language.

Therefore, for purposes of this fiscal note, **Oversight** will report the extension of this tax credit as a cost to the general revenue "Up to" $620,537 (the three (3) year average authorized amount of Meat Processing Facility Investment Tax Credits issued) to $2,000,000 beginning in Fiscal Year 2030.

<u>§135.772 - Ethanol Retailers Tax Credit Program</u>

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.

DOR presents the redemption over the life of the credit up to date as follows:

Year	Total Redemption
2025	$807,304
2024	$845

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, currently, for all tax years beginning on or after January 1, 2017, but ending on or before December 31, 2028. This proposed legislation modifies the "end date" of this tax credit program by removing the sunset language.

Oversight notes the actual usage and impact of this proposed legislation does not have enough history in order to provide solid analysis. Therefore, for purposes of this fiscal note, **Oversight** will report a cost to the general revenue "Up to" $807,304 (as estimated by Oversight) to $5,000,000 beginning in Fiscal Year 2030.

§135.775 - Biodiesel Retailers Tax Credit Program

Officials from **Department of Revenue** assume 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.

DOR presents the redemptions over the life of the credit below:

Year	Total Redemption
2025	$15,185,330
2024	$1,238,009

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.

This proposal would alter the biodiesel retailer tax credit by changing the definition of biodiesel blend to accommodate certain fuel "for on-road or off-road diesel-fueled vehicle use" instead of just "for on-road and off-road diesel-fueled vehicle use". By its terms, this would expand the scope of the credit so that it would be allowed for certain 'dyed' fuel that is prohibited from use on highways and is exempt from fuel tax. DOR notes this proposal may expand the number of taxpayers who could be eligible for the credit, but since the cap is not changed by this proposal, DOR assumes no additional impact is expected to the state revenue.

Officials from the **Office of Administration – Budget & Planning** 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, currently, for all tax years beginning on or after January 1, 2017, but ending on or before December 31, 2028. This proposed legislation modifies the "end date" of this tax credit program by removing the sunset language.

Oversight notes that the DOR reported the FY 2025 redemption amount totaling $15,185,330. Therefore, **Oversight** will reflect the estimated impact as a cost to the general revenue beginning Fiscal Year 2030 as a full amount of cap ($16 million).

<u>§135.778 - Biodiesel Producers Tax Credit Program</u>

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.

DOR presents the redemptions over the life of the credit below:

Year	Total Redemption
2025	$3,112,981
2024	$2,265,248

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, currently, for all tax years beginning on or after January 1, 2017, but ending on or before December 31, 2028. This proposed legislation modifies the "end date" of this tax credit program by removing the sunset language.

Therefore, for purposes of this fiscal note, **Oversight** will report the extension of this tax credit as a cost to the general revenue "up to" $3,112,981 (the high amount in last two years reported) to $5.5 million in annual cap, beginning in Fiscal Year 2030.

<u>§135.1210 - Railroad Investment Tax Credit</u>

Officials from the **Department of Revenue (DOR)** assume starting January 1, 2027, this proposal creates two tax credits regarding railroads.

<u>Railroad Track Expenditures</u>

One shall be allowed to a taxpayer for qualified railroad track expenditures. For all qualified taxpayers they will share a cap of $4,500,000 per calendar year.

<u>New Railroad Infrastructure Expenditures</u>

The second credit is for qualified new rail infrastructure expenditures. The total amount of all tax credits shall not exceed the cap of $5,000,000 per calendar year.

If each cap is met, the credits will be issued based on the order they are received. The credits are not refundable but can be carried forward up to 5 subsequent calendar years. These credits are also transferable. These credits will automatically sunset December 31, 2032.

These credits are allowed to be transferred. In the event that after the transfer the department of revenue determines that the amount of credit properly available under this section is less than the amount claimed by the transferor of the credit or that the credit is subject to recapture, the department shall assess the amount of overstated or recaptured credit as taxes due from the transferor and not the transferee.

This proposal would become effective on January 1, 2027, and the first time the returns claiming the credits can be filed are January 1, 2028 (FY 2028). These credits will result in a loss to general revenue of $9,500,000 annually.

Fiscal Year	Loss to General Revenue
2027	$0
2028	($9,500,000)
2029+	($9,500,000)

This proposal creates two new tax credit programs that will require two new lines being added to the Form MO-TC ($2,200 * 2), updates to the Department website and changes to the individual income tax computer system ($1,887 * 2). These changes are estimated to cost $8,174. DOR's existing tax credit staff is no longer able to take on any additional tax credits without additional resources. Due to the intensive knowledge of credits that is needed DOR is not able to use temporary staff to help with processing these returns. This proposal would require at least 1 FTE Associate Customer Service Rep at a salary of $42,953 (salary plus years of service pay).

Oversight notes the DOR assumes the need for one-time cost for necessary form, computer, and Revenue Premier systems changes at $12,261. Oversight assumes the Department of Revenue is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the administrative costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding for the ITSD changes through the appropriation process.

Oversight notes the DOR assumes the need for 1 FTE Associate Customer Service Representative at $42,953 annually, effective FY 2028. Oversight does not have any information to the contrary. Therefore, **Oversight** will reflect the estimated impact for the FTE by DOR in the fiscal note.

Officials from the **Office of Administration – Budget & Planning** assume this provision would grant new tax credits for railroad investments beginning on January 1, 2027. Tax credits are equal to 50% of investment up to $5,000 x miles of track in Missouri (railroad track credit) or 50% of investment up to $1,000,000 (new rail infrastructure credit). The tax credits are non-refundable but may be carried forward up to five years. The tax credits may also be transferred. This credit will expire December 31, 2032, unless reauthorized.

The cumulative amount of tax credits authorized each calendar year shall not exceed $4.5 million for the railroad track credit and $5.0 million for the new rail infrastructure credit. For the purpose of this fiscal note, B&P assumes that any tax credits earned for tax year 2027 investments will not be used until taxpayers file their annual tax return in the spring of 2028. Therefore, B&P estimates that this provision could reduce TSR and GR by up to $9.5 million annually beginning FY28.

Officials from the **Department of Economic Development (DED)** assume the tax credit will likely reduce annual TSR by $4.5M for qualified railroad track expenditures and $5M for new rail infrastructure expenditures.

Tax credit authorized shall be equal to fifty percent of an eligible taxpayer's qualified railroad track expenditures or qualified new rail infrastructure expenditures, provided that, for qualified railroad track expenditures, the amount of the tax credit shall not exceed an amount equal to the product of five thousand dollars multiplied by the number of miles of railroad track owned or leased in the state by the eligible taxpayer as of the close of the tax year and for qualified new rail infrastructure expenditures, the amount of the tax credit shall not exceed one million dollars for each new rail-served customer project of the eligible taxpayer.

Applies to tax years beginning on or after January 1, 2027. The program will automatically sunset on December 31 six years after the effective date unless reauthorized by an act of the general assembly. If reauthorized, the program shall automatically sunset December 31 twelve years after the effective date of reauthorization and shall terminate September 1 of the calendar year immediately following.

DED is requesting 2.0 FTE to administer the act.

Oversight notes according to the MODOT.org Missouri has the 10th largest number of railroad miles in the United States with approximately 4,800 miles of track, 2,500 miles of yard track and about 7,300 public and private highway-rail crossings.

Oversight notes DED assumes the need for additional (2) FTE (Senior Economic Development Specialists) in order to assure compliance and administration of the act. However, Oversight notes the amount of projects or taxpayers applying for this specific tax credit could be potentially lower than shown above. Therefore, **Oversight** will reflect up to the (2) FTE Senior Economic Development Specialist at $86,712, in the fiscal note, beginning FY 2027.

Lastly, **Oversight** will note the maximum utilization of the tax credit up to $4.5 million under §135.1210. 5.(1) and $5 million under §135.1210. 5(2) annually, beginning FY 2028.

<u>§135.1610 - Urban Farm Tax Credit Program</u>

Officials from the **Department of Revenue** 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.

DOR presents the authorizations, issuances and redemptions over the life of the program.

Year	Authorized	Issued	Redeemed
FY 2025	$18,736.80	$21,236.80	$35,107.80
FY 2024	$21,800.00	$19,300.00	$1,500.00

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 §135.1610. 6 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 an unknown saving to the General Revenue in the fiscal note beginning FY 2030.

Oversight notes, currently, for all tax years beginning on or after January 1, 2017, but ending on or before December 31, 2028. This proposed legislation modifies the "end date" of this tax credit program by removing the sunset language.

Therefore, for purposes of this fiscal note, **Oversight** will report the extension of this tax credit as a cost to the general revenue "up to" $21,800 (the high amount in last two year authorized) to $200,000 beginning in Fiscal Year 2030.

§137.1018 - Rolling Stock Tax Credit Program

Officials from the **Department of Revenue** 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 2026 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
2026	$500,000	$100,000 of the amount was vetoed.
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 that this proposed legislation modifies the "end date" of this tax credit program, August 28, 2028, by removing the sunset language.

Oversight notes that the DOR reported the FY 2025 appropriation amount totaling $500,000. Therefore, **Oversight** will reflect the estimated impact of reduction in general revenues beginning Fiscal Year 2030 as a full amount of the highest appropriation ($500,000) in fiscal note.

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

Officials from the **Department of Revenue** 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 2025	$30,000.00	$4,610.80
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	$1,500,000.00	$0.00	$173,837.27
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 that this proposed legislation modifies the "end date" of this tax credit program by removing the sunset language.

Oversight notes the three (3) year authorized average (Fiscal Year(s) 2023 – 2025) amount of Agricultural Product Utilization Contributor Tax Credit(s) authorized equals $38,045.

Oversight notes the three (3) year authorization average (Fiscal Year(s) 2023 – 2025) amount of New Generation Cooperative Incentive Tax Credit(s) authorized equals $500,000.

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" $269,022 (the combined three (3) year average amount of tax credits authorized to the shared cap of $6,000,000, beginning in Fiscal Year 2030.

<u>§348.491 & 348.493 - Specialty Agricultural Crops Tax Credit Program</u>

Officials from the **Department of Revenue** 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.

DOR presents the authorization, issuance and redemptions over the life of the tax credit:

Year	Authorized	Issued	Redeemed
FY 2025	$0	$0	$0
FY 2024	$0	$0	$0

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 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 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%).

In response to further inquiry with MDA, via e-mail, to a similar legislation SB 30 (2025), MDA noted 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 noted, via phone-call with Oversight, 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 Fund, as a positive Unknown.

Oversight notes that this proposed legislation modifies the "end date" of this tax credit program, December 31, 2028, by removing the sunset language. Given that there is no actual historical data, except zero redemption over the last two-years, Oversight will reflect the estimated impact of reduction in general revenues in full amount of the cap allotted at $300,000.

<u>Responses regarding the proposed legislation as a whole</u>

Officials from the **DOR** assume the following summary of this proposal:

If these credits had been allowed to sunset it could have resulted in a savings to general revenue of $41 million annually. This savings would not have been realized until after the original sunset dates in 2028. However, with the removal of the sunset clause, these programs will continue into the future. DOR assumes no fiscal impact from these changes as DOR had assumed they would have been renewed.

The Department will need to update its forms ($2,200), website and computer programs to make the necessary changes ($1,887). This is estimated to cost $4,087.

Oversight notes the DOR assumes the need for one-time cost for necessary form, computer, and Revenue Premier systems changes at $$4,087. Oversight assumes the Department of Revenue is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the administrative costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding for the ITSD changes through the appropriation process.

Officials from the **Oversight Division** state they are responsible for providing a Sunset Report pursuant to Section 23.253 RSMo; however, Oversight will be able to absorb the cost with the current budget authority.

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

<u>§348.493 and §135.686</u>

A potential unknown decrease of premium tax revenues (up to the tax credit limit established in the bill) in FY2027, FY2028, and FY2029 as a result of the modification of the Meat Processing Facility Investment tax credit and 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.

<u>§135.1210</u>:

A potential unknown decrease of premium tax revenues (up to the tax credit limit established in the bill) in FY2028 and FY2029 as a result of the creation of tax credit for qualified railroad infrastructure investments. 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 new tax credit.

The department will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

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.

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this proposal may reduce TSR and could impact the calculation under Article X, Section 18(e).

Officials from the **Oversight Division**, **Department of Natural Resources**, **Missouri Department of Transportation**, **Missouri Department of Conservation**, and **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 these agencies.

Officials from **City of Kansas City** 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 City of Kansas City.

<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.

Officials from the **Office of the Secretary of State (SOS)** note 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 collectively 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 2027 (10 Mo.)	FY 2028	FY 2029	Fully Implemented (FY 2030)
GENERAL REVENUE				
Cost (§135.305) Extension of the Wood Energy Tax p.4	$0	$0	$0	($2,786,092) Up to ($6,000,000)
Cost (§135.686) Extension of Meat Processing Facility Investment Tax Credit p.5	$0	$0	$0	($620,537) Up to ($2,000,000)
Cost (§135.772) Tax Credit for Ethanol Blended Fuel Sales p.6	$0	$0	$0	($807,304) Up to ($5,000,000)
Cost (§135.775) Tax Credit for Retail Sellers of Biodiesel p.7	$0	$0	$0	Up to ($16,000,000)
Cost (§135.778) Tax Credit for Producers of Biodiesel p.8	$0	$0	$0	($3,112,981) Up to ($5,500,000)
Cost (§135.1210.5 (1)) Railroad Investment Tax Credit p.10	$0	Up to ($4,500,000)	Up to ($4,500,000)	Up to ($4,500,000)
Cost (§135.1210.5(2)) Railroad Track Expenditures Tax Credit p.10	$0	Up to ($5,000,000)	Up to ($5,000,000)	Up to ($5,000,000)
Cost – DED (§135.1210 1. (5) (1) & (2) p.9-10	Up to…	Up to…	Up to…	Up to…
Personal Services	($144,520)	($176,892)	($180,430)	($184,039)
Fringe Benefits	($85,353)	($103,818)	($105,241)	($107,346)
Expense & Equipment	($40,928)	($13,352)	($13,619)	($13,891)
Total Cost – DED	($270,801)	($294,062)	($299,290)	($305,276)

FISCAL IMPACT – State Government	FY 2027 (10 Mo.)	FY 2028	FY 2029	Fully Implemented (FY 2030)
FTE Change	Up to 2 FTE	Up to 2 FTE	Up to 2 FTE	Up to 2 FTE
Cost (§135.1210 1. (5) (1) & (2) p.9-10				
Personal Services	($35,794)	($43,812)	($44,688)	($45,582)
Fringe Benefits	($28,010)	($33,957)	($34,310)	($34,996)
Expense & Equipment	($13,379)	($589)	($600)	($612)
Total Cost – DOR	($77,183)	($78,358)	($79,598)	($81,190)
FTE Change	1 FTE	1 FTE	1 FTE	1 FTE
Cost §135.1610 Urban Tax Credit p.8	$0	$0	$0	($21,800) Up to ($200,000)
Cost (§137.1018) Rolling Stock Tax Credit p.11	$0	$0	$0	Up to ($500,000)
Cost (§348.436) Agricultural Product Utility Contributor Tax Credit & New Generation Cooperative Incentive Tax Credit p.13-16	$0	$0	$0	($269,022) Up to ($6,000,000)
Cost (§348.493.2) Special Crop Lenders Tax Credit p.12-13	$0	$0	$0	Up to ($300,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**($347,984)**	**($9,872,420)**	**($9,878,888)**	**Could exceed ($34,304,202 to $51,386,466)**
MASBDA ACCOUNT				
Revenue Gain (§348.491 & 348.493) 1% Application review fee p.12-13	$0	$0	$0	Unknown

FISCAL IMPACT – State Government	FY 2027 (10 Mo.)	FY 2028	FY 2029	Fully Implemented (FY 2030)
Cost (§348.491 & 348.493) MDA FTE – to maintain and comply with the program p.12-13	$0	$0	$0	(Unknown)
ESTIMATED NET EFFECT ON THE MASBDA ACCOUNT	**$0**	**$0**	**$0**	**$0**

FISCAL IMPACT – Local Government	FY 2027 (10 Mo.)	FY 2028	FY 2029	Fully Implemented (FY 2030)
	$0	**$0**	**$0**	**$0**

FISCAL IMPACT – Small Business

A direct fiscal impact on small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act modifies provisions relating to 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

Office of Administration – Budget & Planning
Department of Revenue
Department of Economic Development
Department of Commerce and Insurance
Office of the Secretary of State
Joint Committee on Administrative Rules
Oversight Division
Missouri Department of Agriculture
City of Kansas City

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