

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4096-01
Bill No.: SB 972
Subject: Cooperatives; Agriculture and Animals; Motor Fuel.
Type: Original
Date: January 30, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Agriculture (AGR)** state that a combined annual total of \$6 million is available as either New Generation Cooperative tax credits or Agricultural Product Utilization Contributor tax credits. With more types of businesses (L.L.C., etc.) qualifying for the New Generation Cooperative tax credits, demand for these tax credits is likely to increase. This will cause an offsetting reduction in the availability of Agricultural Product Utilization Contributor tax credits which will mean fewer grants to value-added enterprises.

Officials from the **Department of Revenue (DOR)** do not anticipate a significant increase in the number of new credits filed. Therefore, DOR does not request additional FTE at this time. However, if DOR is incorrect in this assumption, they will need one Temporary Tax Season Employee for every 10,000 additional credits, one Tax Processing Tech I for every 30,000 additional errors generated and one Tax Processing Tech I for every 3,000 additional pieces of correspondence received regarding this credit. DOR will monitor the credit and any FTE needed will be requested during the normal budget process.

Officials from the **Department of Insurance (INS)** state this legislation creates a new entity (new generation fuel processing entity) that can qualify for new generation cooperative tax credits. INS assumes the designation of additional entity eligible for tax credits will increase the number of tax credits taken against 148 RSMo. premium taxes collected. Tax credits are capped at \$15,000 for each fuel processing organization, but there is not a limit on the number of projects. INS is unable to project how much in additional tax credits may be generated and what effect it will have on premium tax collections. Premium taxes are split between General Revenue and the County Foreign Insurance fund, which is later distributed to school districts. INS assumes the fiscal impact will be an unknown loss of revenue to GR and the County Foreign Insurance fund.

Oversight assumes the changes made to the New Generation Cooperative Incentive Tax Credit program and the Agricultural Product Utilization Contributor Tax Credit program will not change the annual cap of \$6 million. According to Missouri Agricultural and Small Business Development Authority within AGR, roughly \$4.5 million of the available credits were issued in FY 2000, and roughly \$4.3 million of the available credits were issued in FY 2001. The fiscal note prepared for the enabling legislation for this program reflected a loss of state funds of \$6 million annually starting in FY 2000. Therefore, while this proposal may result in an increased utilization of the tax credit programs, Oversight assumes the cap on the programs has not changed from the \$6 million reflected in the fiscal note for HB 888 in 1999, and therefore, assume no additional fiscal impact from utilization of the tax credits from the changes in these programs.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

This proposal may impact small businesses that are possible eligible new generation fuel processing entities or those small businesses that supply such entities.

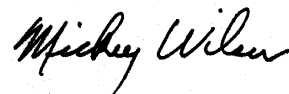
DESCRIPTION

This proposal expands available agricultural tax credits to include "eligible new generation fuel processing entities".

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 Agriculture
Department of Revenue
Department of Insurance



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January 30, 2002