

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0439-01
Bill No.: SB 84
Subject: Agricultural and Animals; Taxation and Revenue - General
Type: Original
Date: January 28, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** assume this legislation extends the new generation cooperative tax credit to include eligible new generation processing entities and allows the tax credit to be applied to estimated tax payments.

DOR does not anticipate a large increase in tax credits and will not request additional FTE at this time. However, if this assumption is incorrect, DOR will need one Tax Processing Technician I for every additional 5,000 credits received. Also, depending on the amount of tracking involved, the individual income tax system will have to be updated.

DOR assumes the Department of Agriculture or the Office of Administration, Budget and Planning should estimate the impact of this legislation. However, DOR notes that the legislation does not increase the annual \$6 million total credit limit allowed by Section 348.434.1.

Officials of the **Department of Agriculture (AGR)** state that this proposal's change to Section 348.432 4 corrects legislative action from last session by adding "eligible new generation processing entity". Quarterly filing of tax credits would not affect this agency.

ASSUMPTION (continued)

Officials of the **Department of Economic Development (DED)** assume this proposal would have no impact on DED. This bill allows credits issued by the Department of Agriculture (Agricultural Product and Utilization Contributor Tax Credit and New Generation Cooperative Incentive Tax Credit) to be used against quarterly estimated tax payments.

Officials of the **Office of Administration, Budget and Planning (BAP)** assume this bill would allow tax credits for new generation cooperatives and new generation processing entities to be taken on a quarterly basis, as opposed to only on an annual basis. This act clarifies that the premium tax credits permitted in Sections 348.430 and 348.432, RSMo, shall only be subtracted against the General Revenue Fund and not against the County Foreign Insurance Tax Fund.

According to a discussion between BAP and the Department of Agriculture, this bill would facilitate increased tax credit usage. BAP has no basis for estimating the amount of this increase and thus defers to AGR for an estimate. This bill would have no impact on the BAP.

Officials of the **State Treasurer's Office (STO)** assume this bill adds tax credits under Section 348.430 and 348.432 to Section 148.350.3 that states that premium tax credits only reduce the amount of money received by the General Revenue Fund, and do not reduce the money received by the County Foreign Insurance Tax Fund.

Section 348.430 is the Agricultural Product Utilization Contributor Tax Credit. Section 348.430.3 is amended to allow the credit to be taken against estimated quarterly tax.

Section 348.432 is the New Generation Cooperative Incentive Tax Credit. Section 348.432.3 is amended to allow the credit to be taken against estimated quarterly tax.

No impact to STO is expected from this proposal. STO defers to the Office of Administration, Budget and Planning regarding the impact to the state.

Officials of the **Department of Insurance (INS)** assume Section 148.350 is amended to allow agricultural utilization tax credits and new generation cooperative or new generation processing entity tax credits to reduce only the General Revenue Fund and not reduce any moneys received by the County Foreign Insurance Fund. Section 148.340 and Section 148.350 are the taxing statutes for foreign insurance companies (those not organized under MO law). Section 148.320 and 148.330 which are the taxing statutes for MO domiciled stock property and casualty insurance companies have not be amended and therefore tax credits taken by those companies would continue to reduce the County Stock Fund which is later distributed to school districts. Section 148.370 and 148.380 which are the taxing statutes for all other MO domiciled insurance companies have also not been amended and credits taken by those companies would continue to

ASSUMPTION (continued)

reduce the County Foreign Insurance Fund which is later distributed to school districts. Section 348.430.3 allows the agricultural utilization tax credit to reduce the annual tax or the estimated quarterly tax prepayment. Section 348.432.3 authorizes the new generation cooperative or new generation processing entity tax reduction on quarterly tax prepayments or annual tax.

Currently these tax credits are only allowed as credits shown on the annual premium tax return and cannot be used against the quarterly tax prepayments.

For 2001 tax year, agricultural utilization credits of \$303,633 were taken by county stock companies, and \$13,616 in agricultural utilization and \$59,548 new generation cooperative tax credits were taken by MO domiciled companies. By allowing tax credits to be taken on a quarterly basis, unknown interest for up to 13 months to the General Revenue Fund, County Stock Fund, and County Foreign Insurance Fund would be lost due to quarterly payments being reduced. INS also assumes that more individuals and entities would purchase and use these tax credits if allowed to take them against quarterly tax payments. Fiscal impact to these funds as a result of increased usage is unknown.

INS would require contract computer programming of \$54,400 (640 hours @ \$85.00) to make modifications to the premium tax system so credits could be processed quarterly. Updates have been made to the premium tax system during this past year which enables INS to make these required modifications with fewer programming hours than previously estimated in last years fiscal note.

Oversight assumes this proposal has no net impact on the state since the proposal does not increase or reduce the amount of tax credits available. Also, **Oversight** assumes that a small number of insurance companies would claim the tax credits quarterly. INS could absorb costs related to this proposal by maintaining a manual or personal computer based system for these insurance companies that take the tax credits rather than reprogramming their system. Should more than a few insurance companies take the quarterly tax credit or should other existing premium tax credits be allowed to be taken quarterly, the INS could request additional funding through the appropriation process.

FISCAL IMPACT - State GovernmentFY 2004
(10 Mo.)

FY 2005

FY 2006

\$0\$0\$0

FISCAL IMPACT - Local Government

FY 2004
(10 Mo.)

FY 2005

FY 2006

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

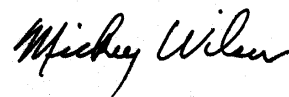
This proposal allows contributors to take the tax credits for new generation cooperatives and new generation processing entities on a quarterly basis.

This proposal clarifies that the premium tax credits permitted in Sections 348.430 and 348.432, RSMo, shall only be subtracted against the General Revenue Fund and not against the County Foreign Insurance Tax Fund.

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 and Planning
Department of Economic Development
Department of Agriculture
State Treasurer's Office
Department of Insurance



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Director

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