

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0439-02  
Bill No.: Perfected SCS for SB 84  
Subject: Agricultural and Animals; Taxation and Revenue - General  
Type: Original  
Date: March 3, 2003

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**FISCAL SUMMARY**

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

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

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

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

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

### 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.

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 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 and 148.330 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 and County Stock 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 are the taxing statutes for MO domiciled stock property and casualty insurance companies. Section 348.430.3 allows the agricultural utilization tax credit to reduce the annual tax or the estimated quarterly tax prepayment. Section 348.432.8 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.

ASSUMPTION (continued)

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 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.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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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.

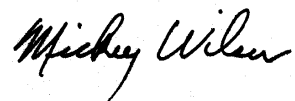
This proposal clarifies that the premium tax credits permitted in Sections 348.430 and 348.432, RSMo, shall only be subtracted against the General Revenue Fund and not against the County Foreign Insurance Tax Fund.

This proposal requires any entity acquiring these tax credits to apply to quarterly insurance premiums to acquire the credits at not less than one hundred percent of the value.

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



Mickey Wilson, CPA  
Director  
March 3, 2003