

**COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION**

**FISCAL NOTE**

L.R. No.: 0439-04  
Bill No.: Truly Agreed To and Finally Passed HCS for SCS for SB 84  
Subject: Agriculture and Animals; Taxation and Revenue - General.  
Type: Original  
Date: May 14, 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>
General Revenue Fund	(Unknown less than \$340,225)	(Unknown less than \$340,225)	(Unknown less than \$340,225)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(UNKNOWN less than \$340,225)</b>	<b>(UNKNOWN less than \$340,225)</b>	<b>(UNKNOWN less than \$340,225)</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>
State Schools Money Fund*	Unknown	Unknown	Unknown
<b>Total Estimated Net Effect on Other State Funds</b>	<b>UNKNOWN</b>	<b>UNKNOWN</b>	<b>UNKNOWN</b>

\*Unknown based on Foundation Formula calculation

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 8 pages.

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
County Stock Fund*	Unknown less than \$303,633	Unknown less than \$303,633	Unknown less than \$303,633
County Foreign Insurance Fund*	Unknown less than \$36,592	Unknown less than \$36,592	Unknown less than \$36,592
School Districts	\$0	\$0	\$0
<b>Local Government</b>	<b>UNKNOWN less than \$340,225</b>	<b>UNKNOWN less than \$340,225</b>	<b>UNKNOWN less than \$340,225</b>

\*Unknown based on Foundation Formula calculation.

### **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.

ASSUMPTION (continued)

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.

Officials of the **Department of Economic Development (DED)** assume this proposal would have no impact on DED. This bill allows some tax credits to be claimed as payment of quarterly estimated tax payments. DED can not project the impact of this proposal and assumes it could potentially speed up the use of tax credits.

Officials of the **Office of Administration, Budget and Planning (BAP)** assume this proposed legislation should not result in additional costs or savings to the BAP. Quarterly filing could have a negative impact on General Revenue.

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 the following:

Section 148.330.4 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 Stock Fund.

Section 148.320 and 148.330 are the taxing statutes for MO domiciled stock property and casualty insurance companies. County Stock Funds are 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 beginning with 1999 tax year.

ASSUMPTION (continued)

Section 348.430.4 allows the credits to be carried back to any of the contributor's three prior tax years.

Section 348.432.2 (3) revises those entities who may contribute to the new generation cooperative from a non-profit cooperative association to any agricultural cooperative association or other business entity operated as an agricultural cooperative.

Section 348.432.2 (4) removes the requirement that the new generation processing entities be organized or incorporated under Missouri laws.

Section 348.432.2 (5) changes definition of employee-qualified capital project to only needing 60 employees. Previously it needed 100 employees.

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. The \$303,633 credit taken by county stock companies was taken against the County Stock Fund. This Legislation changes the impact of these credits from the County Stock Fund to the General Revenue Fund. This is an increase cost to GR when previously the credit was a reduction to the County Stock Fund. INS also assumes that more individuals and entities would purchase and use these tax credits if allowed to take them against quarterly tax payments. In addition, INS assumes the three year carryback provision would also increase the amount of tax credits taken by 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.

Fiscal impact to these funds as a result of increased usage and from shifting the liability for credits to GR only is an unknown decrease in GR.

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.

ASSUMPTION (continued)

**Oversight** assumes since the proposal does not increase or reduce the amount of tax credits available, the only impact on the state for this proposal would be from the shifting of the liability of the tax credits from the County Stock Fund to the General Revenue Fund. 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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**GENERAL REVENUE FUND**

<u>Savings</u> - General Revenue Fund State School Money Fund*	Unknown	Unknown	Unknown
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<u>Loss</u> - General Revenue Fund Credit increase from local district funds	<u>(\$340,225)</u>	<u>(\$340,225)</u>	<u>(\$340,225)</u>
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<b>TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(Unknown - less than \$340,225)</u></b>	<b><u>(Unknown - less than \$340,225)</u></b>	<b><u>(Unknown - less than \$340,225)</u></b>
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\*Unknown based on Foundation Formula calculation

**STATE SCHOOLS MONEY FUND**

<u>Loss</u> - Reduced appropriations from General Revenue*	(Unknown)	(Unknown)	(Unknown)
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<u>Savings</u> - Reduced appropriations to local school districts*	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
<b>NET ESTIMATED EFFECT ON STATE SCHOOLS MONEY FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

\*Unknown based on Foundation Formula calculation

<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
<b>COUNTY STOCK FUND</b>			
<u>Savings</u> - Local Districts			
Agriculture Utilization Credits	\$303,633	\$303,633	\$303,633
<u>Cost</u> - Local Districts			
Increase funding to school districts*	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON COUNTY STOCK FUND</b>	<b><u>Unknown less than \$303,633</u></b>	<b><u>Unknown less than \$303,633</u></b>	<b><u>Unknown less than \$303,633</u></b>

\*Unknown based on Foundation Formula calculation

**COUNTY FOREIGN INSURANCE  
FUND**

<u>Savings</u> - Local Districts			
Agriculture Utilization Credits from other MO Domiciled companies	\$6,818	\$6,818	\$6,818
New Generation Cooperative Credits	<u>\$29,774</u>	<u>\$29,774</u>	<u>\$29,774</u>
Total Savings - Local Districts	\$36,592	\$36,592	\$36,592
<u>Cost</u> - Local Districts			
Increase funding to school districts*	(Unknown)	(Unknown)	(Unknown)
<b>NET ESTIMATED EFFECT ON COUNTY FOREIGN INSURANCE FUND</b>	<b><u>Unknown less than \$36,592</u></b>	<b><u>Unknown less than \$36,592</u></b>	<b><u>Unknown less than \$36,592</u></b>

\*Unknown based on Foundation Formula calculation

<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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**SCHOOL DISTRICTS**

Income - Local School Districts

Increase funding from County Stock Fund*	Unknown	Unknown	Unknown
Increase funding from County Foreign Insurance Fund*	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
Total Income - Local School Districts	Unknown	Unknown	Unknown

Loss - Local School Districts

Decrease appropriation from State Schools Money Fund*	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON  
SCHOOL DISTRICTS**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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\*Unknown based on Foundation Formula calculation

FISCAL IMPACT - Small Business

This proposal could fiscally impact those cooperatives that are eligible for the tax credit.

DESCRIPTION

This substitute allows the following tax credits to be taken against estimated quarterly taxes paid:

- (1) Credits for investments in eligible new general cooperatives or eligible new generation processing entities; and
- (2) Credits received for contributions to the Agricultural Product Utilization Grant Fund.

The substitute adds eligible new generation cooperatives, eligible new generation processing entity, and agricultural product utilization contributor tax credits to the restriction that the tax credits taken against insurance premiums will not reduce moneys transferred to the County Foreign Insurance Fund.

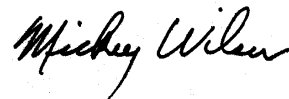
The bill decreases the required number of employees in an employee-qualified capital project from 100 to 60 for investors to receive a New Generation Cooperative Incentive Tax Credit.

DESCRIPTION (continued)

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



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