

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0236S.01I
Bill No.: SB 127
Subject: Tax Credits
Type: Original
Date: January 5, 2021

Bill Summary: This proposal reauthorizes the Wood Energy Tax Credit until June 30, 2027, from June 30, 2020.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	(\$740,000) or up to (\$6,000,000) depending on appropriation	(\$740,000) or up to (\$6,000,000) depending on appropriation	(\$740,000) or (\$6,000,000) depending on appropriation
Total Estimated Net Effect on General Revenue	(\$740,000) or up to (\$6,000,000) depending on appropriation	(\$740,000) or up to (\$6,000,000) depending on appropriation	(\$740,000) or up to (\$6,000,000) depending on appropriation

*Continuation of former tax credit program and existing appropriation (expired 06/30/2020) at the current appropriation level (\$740,000) and the annual program cap (\$6 million).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Department of Revenue (DOR)** state the Wood Energy Tax Credit has a \$6 million annual cap that is subject to appropriations. The legislature appropriated \$1 million in Fiscal Year 2018 and Fiscal Year 2019. For Fiscal Year 2020, the legislature appropriated \$1.5 million. The legislature appropriated \$740,000 for Fiscal Year 2021.

DOR notes this tax credit does not currently allow authorization of additional credits after June 30, 2020 (Fiscal Year 2021). This proposed legislation would extend the sunset on the tax credit until June 30, 2027.

DOR does not anticipate this proposed legislation will have a fiscal impact on their organization.

Officials from the **Missouri Department of Natural Resources** and the **Office of Administration – Budget & Planning Division** do not anticipate this proposed legislation will cause a fiscal impact on their respective organizations.

Oversight's policy is to show the extension of the tax credit in the fiscal note. Oversight will show the revenue reduction to General Revenue beginning in Fiscal Year 2022.

Oversight notes this proposed legislation extends the end date for the Wood Energy Tax Credit authorized under Section(s) 135.300 to 135.311 from June 30, 2020 to June 30, 2027. The issuance of the Wood Energy Tax Credit is subject to appropriation by the General Assembly and has a cap of \$6 million for each fiscal year. Oversight provides the following appropriations previously made by the General Assembly for the Wood Energy Tax Credit:

Fiscal Year	Appropriation
2021	\$740,000 (HB 2006 6.350)
2020	\$1.5 million (HB 6)
2019	\$1.0 million (HB 2007)
2018	\$1.0 million (HB 7)

Oversight notes, per the Tax Credit Analysis submitted to Oversight by the Department of Natural Resources, the Wood Energy Tax Credit had the following activity:

Wood Energy Tax Credit	FY 2018 ACTUAL	FY 2019 ACTUAL	FY 2020 ACTUAL	FY 2021 (year to date)	FY 2021 (Full Year - est.)	FY 2022 (Budget Year - est.)
Certificates Issued (#)	7	9	8	0	6	0
Projects/Participants (#)	7	9	8	0	6	0
Amount Authorized	\$970,000	\$678,887	\$1,455,000	\$0	\$740,000	\$0
Amount Issued	\$970,000	\$678,887	\$1,455,000	\$0	\$740,000	\$0
Amount Redeemed	\$891,087	\$789,077	\$1,105,678	\$0	\$717,800	\$717,800

Oversight's policy is to show the extension of the tax credit program in the fiscal note. Oversight will show the revenue reduction to TSR and GR for Fiscal Year(s) beginning in Fiscal Year 2022.

Since the cap for the Wood Energy Tax Credit is \$6 million annually (subject to appropriation), for purposes of this fiscal note, Oversight will report the extension of the tax credit as a continuation of the current appropriation level (\$740,000 – HB 2006 - 2020) up to the \$6 million cap.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE			
<u>Revenue Reduction – Section 135.305 – Extension of the Wood Energy Tax Credit from 06/30/2020 to 06/30/2027</u>	<u>(\$740,000) or up to (\$6,000,000) depending on appropriation</u>	<u>(\$740,000) or up to (\$6,000,000) depending on appropriation</u>	<u>(\$740,000) or up to (\$6,000,000) depending on appropriation</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$740,000) or up to (\$6,000,000) depending on appropriation</u>	<u>(\$740,000) or up to (\$6,000,000) depending on appropriation</u>	<u>(\$740,000) or up to (\$6,000,000) depending on appropriation</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

This proposed legislation could potentially impact any small business that utilizes the Wood Energy Tax Credit as the small business could reduce or eliminate their state tax liability for tax years not permitted under current law.

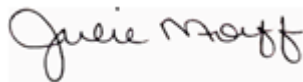
FISCAL DESCRIPTION

Current law provides for a tax credit for the production of certain wood-energy processed wood products, with such tax credit to expire on June 30, 2020. This act extends the tax credit until June 30, 2027 (Section 135.305).

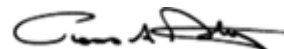
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Missouri Department of Revenue
Missouri Department of Natural Resources
Office of Administration – Budget & Planning Division



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January 5, 2021



Ross Strobe
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January 5, 2021