

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1681S.01I
 Bill No.: SB 355
 Subject: Tax Credits; Taxation and Revenue - Income; Agriculture
 Type: Original
 Date: February 15, 2021

Bill Summary: This proposal would extend the sunset of the Meat Processing Facility Investment Tax Credit.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue Fund*	\$0	Up to (\$667,348) to (\$2,000,000)	Up to (\$667,348) to (\$2,000,000)
Total Estimated Net Effect on General Revenue	\$0	Up to (\$667,348) to (\$2,000,000)	Up to (\$667,348) to (\$2,000,000)

*Oversight notes the range in the reported impacts stem from the continuation of an existing tax credit program (currently set to expire on 12/31/2021 and this proposal extends that date to 12/31/2027) at its current activity level (3 year average of \$667,348) and the annual program cap of \$2,000,000.

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.

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 \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full 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 this proposed legislation would extend the ability of a taxpayer to claim a tax credit for meat processing modernization or expansion related to the taxpayer's meat processing facility from December 31, 2021 to December 21, 2027. The Meat Processing Facility Tax Credit shares a \$2 million annual cap with the Qualified Beef Tax Credit.

For informational purposes, DOR provides the following information on the amount of credits issued and redeemed since this credit began in 2018.

Fiscal Year	Authorized	Issued	Total Redeemed
FY 2020	\$1,171,805.57	\$1,162,452.67	\$380,371.14
FY 2019	\$627,807.59	\$552,807.59	\$214,777.94
FY 2018	\$286,781.89	\$286,781.89	\$5,561.00
TOTALS	\$2,086,395.05	\$2,002,042.15	\$600,710.08

DOR assumes this proposed legislation will not have any further fiscal impact on DOR or General Revenue (GR) as a result of the extended expiration date.

Oversight notes, currently, for all tax years beginning on or after January 1, 2017, but ending on or before December 31, 2021, a taxpayer shall be allowed a tax credit for meat processing modernization or expansion as it relates to the taxpayer's meat processing facility.

This proposed legislation modifies the "end date" of this tax credit program by extending it to all tax years beginning on or after January 1, 2017, and ending on or before December 31, 2027.

Oversight notes the Meat Processing Facility Investment Tax Credit and the Qualified Beef Tax Credit have a shared cap of two million dollars (\$2,000,000). The Meat Processing Facility Investment Tax Credits and the Qualified Beef Tax Credits are issued on an as-received application basis until the calendar year limit (\$2,000,000) is reached.

Oversight's policy is to show the extension of the tax credit program in the fiscal note. Oversight notes the current end date for the Meat Processing Facility Investment Tax Credit is December 31, 2021. Oversight notes this proposed legislation extends the end date to December 31, 2027. Oversight notes that taxpayers who are awarded the Meat Processing Facility Investment Tax Credit in Tax Year 2022 will not file their tax returns claiming the tax credit

until after January 1, 2023 (Fiscal Year 2023). Therefore, Oversight will report the impact as a result of extending the end date of this tax credit program beginning in Fiscal Year 2023.

Oversight notes, per the most recent Tax Credit Analysis received from the Missouri Department of Agriculture, the Meat Processing Facility Investment Tax Credit recognized the following activity:

Meat Processing Facility Investment Tax Credit					
Fiscal Year	2018	2019	2020	2021 (Year To Date)	2022 (Budget Year)
Certificates Issued (#)	6	6	21	0	0
Projects/Participants (#)	6	6	22	0	0
Amount Authorized	\$286,782	\$627,808	\$1,171,806	\$0	\$0
Amount Issued	\$286,782	\$552,808	\$1,162,453	\$0	\$0
Amount Redeemed	\$5,561	\$214,778	\$380,371	\$31,602	\$0

Oversight notes the three (3) year average (Fiscal Year(s) 2018 – 2020) amount of Meat Processing Facility Investment Tax Credits issued equals \$667,348.

For purposes of this fiscal note, since the Meat Processing Facility Investment Tax Credit shares a cumulative tax credit cap with the Qualified Beef Tax Credit, Oversight will provide the program activity for the Qualified Beef Tax Credit.

Oversight notes, per the most recent Tax Credit Analysis received from the Missouri Department of Agriculture, the Qualified Beef Tax Credit recognized the following activity:

Qualified Beef Tax Credit					
Fiscal Year	2018	2019	2020	2021 (Year To Date)	2022 (Budget Year)
Certificates Issued (#)	6	7	0	0	0
Projects/Participants (#)	6	7	0	0	0
Amount Authorized	\$35,627	\$64,535	\$0	\$0	\$0
Amount Issued	\$35,627	\$64,535	\$0	\$0	\$0
Amount Redeemed	\$67,304	\$59,694	\$50,927	\$2,120	\$0

Oversight notes the three (3) year average (Fiscal Year(s) 2018 – 2020) amount of Qualified Beef Tax Credits issued equals \$33,387.

Oversight notes, the **combined** three (3) year average amount of tax credits issued (Meat Processing Facility Investment Tax Credit and Qualified Beef Tax Credit) equals \$700,735.

Oversight notes the shared cumulative cap for these tax credit programs is two million dollars (\$2,000,000). Oversight assumes, when taking into consideration the three (3) year average

amount of Qualified Beef Tax Credits issued (\$33,387), that \$1,966,613 would be available to be issued to the Meat Processing Facility Investment Tax Credit program.

However, Oversight notes, the Qualified Beef Tax Credit program is currently scheduled to end December 31, 2021. Therefore, should this proposed legislation be signed into law and the Qualified Beef Tax Credit end, the total amount of tax credits available to be issued under the Meat Processing Facility Investment Tax Credit program would be the full cap of \$2,000,000.

Therefore, for purposes of this fiscal note, Oversight will report the extension of this tax credit as a reduction to GR by an amount “up to” \$667,348 (the three (3) year average amount of Meat Processing Facility Investment Tax Credits issued) to \$2,000,000 (the total amount available for Meat Processing Facility Tax Credit program if Qualified Beef Tax Credit program ends), beginning in Fiscal Year 2023.

Officials from the **Office of Administration – Budget & Planning Division** and the **Missouri Department of Agriculture** do not anticipate this proposed legislation will result in a fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for these organizations.

<u>FISCAL IMPACT –</u> <u>State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
<u>Revenue Reduction –</u> Section 135.686 - Extension of Meat Processing Facility Investment Tax Credit From December 31, 2021 to December 31, 2027	\$0	<u>Up to (\$667,348) to</u> <u>(\$2,000,000)</u>	<u>Up to (\$667,348) to</u> <u>(\$2,000,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	\$0	<u>Up to (\$667,348) to</u> <u>(\$2,000,000)</u>	<u>Up to (\$667,348) to</u> <u>(\$2,000,000)</u>

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

FISCAL IMPACT – Small Business

This proposed legislation could positively impact any small business that qualifies for the Meat Processing Facility Investment Tax Credit as such small business could reduce or eliminate such small business's state tax liability.

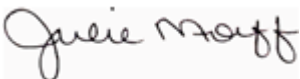
FISCAL DESCRIPTION

Current law authorizes the Meat Processing Facility Investment Tax Credit for the expansion or modernization of meat processing facilities, with such tax credit program to expire December 31, 2021. This act extends such tax credit until December 31, 2027.

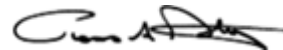
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration – Budget & Planning Division
Missouri Department of Revenue
Missouri Department of Agriculture



Julie Morff
Director
February 15, 2021



Ross Strobe
Assistant Director
February 15, 2021