

HCS HB 1590 -- AGRICULTURAL INCENTIVES AND PROGRAMS

SPONSOR: Munzlinger

COMMITTEE ACTION: Voted "do pass" by the Special Committee on Agri-Business by a vote of 9 to 1.

This substitute changes the laws regarding the administration of agricultural incentives and programs.

MANAGED ENVIRONMENT LIVESTOCK OPERATION TAX CREDITS

Beginning January 1, 2008, the substitute authorizes a tax credit to owners of livestock operations for the eligible costs of implementing odor abatement best management practices and systems as administered through the Missouri Agricultural and Small Business Development Authority. The maximum tax credit amount for implementing a system necessary to achieve managed environment livestock operation (MELO) accreditation and/or improving basic infrastructure to increase the setback from the property line will be the lessor of 50% of the eligible expenses or \$50,000. The maximum tax credit amount for implementing a system necessary to meet preferred environmental practices and/or improving basic infrastructure to increase the setback from the property line will be the lessor of 75% of the eligible expenses or \$75,000. The yearly maximum amount of tax credits issued by the authority for odor abatement will be \$3 million. The tax credits may be carried back three years, carried forward five years, transferred, or taken against the estimated quarterly tax or quarterly taxes.

The authority is required to establish rules for tax credit eligibility based on odor abatement impact, the owner's prospective use and funding of proven technologies, and other factors that the authority deems necessary. Ninety percent of the tax credits issued in any one year will go to livestock operation owners for the implementation of best management practices and systems necessary to achieve MELO accreditation. Ten percent and any remaining MELO tax credits will be issued to livestock operation owners for the implementation of preferred environmental practices. Any unissued tax credits will not carry over to the succeeding year. The authority will impose an application fee of .25% of the tax credit amount issued.

TAX REPORTING REQUIREMENTS

The definition of "agricultural tax credits" as it relates to the Missouri Agricultural and Small Business Development Authority is revised to include family farm breeding livestock loan tax credits and qualified beef tax credits and makes them subject to

the reporting requirements under the Tax Credit Accountability Act of 2004. The substitute also requires new generation cooperatives to report under the act if the agricultural tax credit is issued as a result of a producer member investing in the new generation cooperative.

QUALIFIED BIOMASS

Beginning January 1, 2009, through December 31, 2019, Missouri qualified fuel ethanol producers producing fuel ethanol from qualified biomass will be eligible to receive grants from the Department of Agriculture. The aggregate amount of the grants is not to exceed \$10 million per year.

STATE AND LOCAL SALES AND USE TAX EXEMPTION FOR AGRICULTURAL FENCING, FORESTRY EQUIPMENT, AND MOTOR FUEL

The substitute authorizes a state and local sales and use tax exemption for fencing materials, forestry equipment, and motor fuel used for agricultural purposes.

HAZARDOUS SUBSTANCES

The substitute specifies that when a hazardous substance release occurs the person having control of the hazardous substance is liable for the reasonable and necessary costs for the cleanup or containment incurred by the political subdivision or volunteer fire protection association providing the emergency services. No later than 60 days after completion of the hazardous substance cleanup, the political subdivision or the emergency services provider is required to furnish the liable person with an itemized statement of all costs associated with the hazardous substance release. The statement of costs must include certain explanations for why the costs were incurred. A cleanup cost statement may be appealed to the Director of the Department of Natural Resources with the burden of proof on the political subdivision or the emergency services provider.

NAME CHANGES

The substitute renames the Marketing Division within the Department of Agriculture as the Agriculture Business Development Division, the Marketing Development Fund as the Agriculture Business Development Fund, the Missouri Agricultural Products Marketing Development Fund as the AgriMissouri Fund, and the Citizens' Advisory Commission for Marketing Missouri Agricultural Products as the AgriMissouri Advisory Commission for Marketing Missouri Agricultural Products.

NOXIOUS WEEDS

The substitute requires persons, corporations, the Highways and Transportation Commission, state departments, state agencies, county commissions, township boards, school boards, drainage boards, governing bodies of incorporated cities, railroad companies and other transportation companies, and persons supervising state-owned lands to control the spread of and eradicate by methods approved by the federal Environmental Protection Agency spotted knapweed (*Centaurea stoebe* ssp. *Micranthos*, including all subspecies), which are designated as noxious and dangerous weeds to agriculture.

DAIRY COWS AND DAIRY OPERATIONS

Subject to appropriations, the Missouri Agricultural and Small Business Development Authority must pay the first year of charged interest payments on all linked deposit loans used for the acquisition of dairy cows. The authority is authorized to charge a service fee, not to exceed \$50, to defray the administrative costs of processing a loan.

The authority is required to develop and implement dairy business planning grants. The aggregate amount of the grants will not exceed \$50,000; and no single grant can exceed \$5,000. An application fee may be charged, not to exceed \$50 per grant application, to defray the administrative costs of administering the grant.

The applicant's dairy operation must be located in Missouri and at least 51% owned by Missouri residents. The grant proceeds must be used solely to contract with a dairy business planning professional approved by the authority. The authority is required to establish rules on eligibility and award criteria including improved profitability, modernization, and expansion of the dairy operation. The experience, education, and relevant dairy experience of both the grant applicant and the dairy business planning professional are required to be part of the respective selection criteria.

AGRICULTURAL TAX CREDITS

The substitute requires that certain types of agricultural production facilities be located in Missouri to qualify its producer member for agricultural tax credits.

FAMILY FARM LIVESTOCK LOAN PROGRAM

The substitute increases from \$150,000 to \$300,000 the maximum amount of tax credits that the Missouri Agricultural and Small Business Development Authority is authorized to issue annually to eligible lenders participating in the Family Farm Livestock Loan

Program.

LOAN GUARANTEES

The substitute requires the Missouri Agricultural and Small Business Development Authority to provide assistance to independent livestock and poultry family farm operations by implementing a livestock feed and crop input loan guarantee program to grant partial loan guarantees on loans for the purchase of livestock feed and crop inputs to produce crops for feeding livestock.

The Livestock Feed and Crop Input Loan Guarantee Fund is created consisting of moneys appropriated by the General Assembly; bequests from federal, private, or other sources; and investment income on the fund. The General Assembly may appropriate up to \$4 million to the fund. Qualified independent livestock and poultry family farm operations may borrow up to \$40,000. The authority provides a 50% first-loss guarantee, on a declining principal basis, to local lenders and will charge a one-time participation fee of \$50 on the loan. A special loan guarantee fee of up to 1% per annum of the outstanding principal of the loan may be charged by the lender and paid to the authority.

AUTOMOTIVE LUBRICANTS AND PETROLEUM PRODUCTS

Automotive lubricants are required to meet the American Society for Testing and Materials (ASTM) current standards. If no ASTM standard exists for certain fuels and petroleum-based products, the Department of Agriculture may adopt other generally recognized national consensus standards by rule.

The department is authorized to regulate the posting of prices at gas stations and convenience stores for fuels, petroleum products, and automotive lubricants.

Currently, the penalty for a first violation of the product standards or labeling and advertisement requirements for certain fuels and petroleum products is not to exceed a written reprimand.

The substitute also:

- (1) Requires dealers, distributors, producers, or compounders of certain fuels and oils to immediately provide a sample upon a department request;
- (2) Allows the department director to have access during business hours to all places where automotive lubricants are marketed;

(3) Prohibits the storing or selling of automotive lubricants in a deceptive manner;

(4) Allows the directors of the departments of Agriculture and Revenue, upon request, to have access to shipping records of automotive lubricants as kept by common carriers and marketers of fuels or petroleum products; and

(5) Increases the maximum inspection fee on gasoline, gasoline-alcohol blends, kerosene, diesel fuel, heating oil, aviation turbine fuel, and other motor fuels from 2.5 cents per barrel to three cents per barrel.

The provisions regarding the managed environment livestock operation tax credits will expire August 28, 2011.

FISCAL NOTE: Estimated Cost on General Revenue Fund of Greater than \$170,000 in FY 2009, Greater than \$691,892 in FY 2010, and Greater than \$691,892 in FY 2011. Estimated Cost on Other State Funds of Unknown in FY 2009, FY 2010, and FY 2011.

PROPONENTS: Supporters say that the bill will aid the Department of Agriculture regarding certain administrative and enforcement responsibilities while adding to the overall viability and sustainability of Missouri agriculture and agri-business.

Testifying for the bill were Representative Munzlinger; Missouri Soybean Association; Missouri Farm Bureau; Missouri Petroleum Marketers and Convenience Store Association; Missouri Cattlemens Association; Missouri Dairy Association; Dave Drennan, Missouri Dairy Growth Association; Missouri Agricultural and Small Business Authority; Department of Agriculture; Department of Conservation; Missouri AgriBusiness Association; and Brian Brookshire, Missouri Forest Products Association.

OPPONENTS: Those who oppose the bill say that certain provisions regarding the cleanup of hazardous materials need to be added.

Testifying against the bill was Missouri Fire Service Alliance.