

HCS HB 83 -- AGRICULTURAL RELATED TAX CREDITS

SPONSOR: Reiboldt

COMMITTEE ACTION: Voted "Do Pass" by the Committee on Agriculture Policy by a vote of 11 to 2.

This substitute changes the tax credit for wood energy producers and creates a tax credit for processed biomass engineered fuel fiber and milk producers.

TAX CREDIT FOR WOOD ENERGY PRODUCERS

The substitute extends the provisions regarding the tax credit for a Missouri wood energy producer from June 30, 2013, to June 30, 2018, and limits the total amount of all tax credits in any fiscal year to \$3.5 million.

TAX CREDIT FOR PROCESSED BIOMASS ENGINEERED FIBER FUEL

Beginning January 1, 2014, the substitute authorizes an income tax credit for any taxpayer who uses "processed biomass engineered fiber fuel" which is defined as any fuel derived from substances produced in this state that were changed from their original form and combined in a manufacturing process in this state of three or more biomass inputs, resulting in a fuel product with a heat value of at least 7,500 British Thermal Units (BTUs) per pound. The credit will be 30% of the purchased price of the fuel for the first year in which the fuel was purchased and used; 25% for the second year; 20% for the third year; 15% for the fourth year; 10% for the fifth year; and 5% for the sixth year. No tax credit will be issued after the sixth year in which the fuel was purchased and used. The amount of the credit cannot exceed the amount of the taxpayer's state tax liability for the tax year for which the credit is claimed, is not refundable, and cannot be transferred but can be carried forward for four years. The total amount of tax credit authorized cannot exceed \$5 million annually.

These provisions will expire December 31 six years after the effective date.

SHOW-ME MILK AND INFRASTRUCTURE STABILIZATION ACT

The substitute establishes the Show-Me Milk and Infrastructure Stabilization Act, which authorizes, beginning January 1, 2013, a tax credit for a qualified milk producer in an amount equal to the total aggregate allowable credit per year divided by the number of grade A dairies in the state as determined by the Missouri State Milk Board. The maximum credit allowed to a qualified producer

cannot exceed \$25,000 per year.

A producer must apply for the milk production tax credit by submitting an application to the Missouri Agricultural and Small Business Development Authority within the Department of Agriculture. The application must include his or her producer identification number and documentation as to the amount of milk produced by his or her operation during the allowance period.

By January 1, 2016, the authority director must issue a report that is available for public inspection on the total number of pounds of milk produced by each qualified producer in each of the prior three years.

The total amount of tax credits cannot exceed \$5 million in a year. Any individual or business may assign, transfer, or sell the tax credit as long as it is used within the year it is issued.

These provisions will expire January 1, 2016.

PROPONENTS: Supporters say that the tax credit will provide any business that produces processed biomass engineered fiber fuel, which can help reduce our dependence on coal as an energy source, to use the most efficient technology. The tax credit will help start up businesses, but also reduce each year as the business becomes more self sustaining.

Testifying for the bill were Representative Berry; Gary Wheeler, Missouri Corn Growers Association; Nancy Heimann, Enginuity Worldwide, LLC ; Joe Horner, University of Missouri Commercial Agriculture Program; Chad Sayrer Allstate Consultants; and Missouri Association of Municipal Utilities.

OPPONENTS: Those who oppose the bill say that if a start up company is going to succeed, it should do it without government support like tax credits. Biomass fuel is a new area of energy production, but if it is viable, it should succeed without taxpayer help.

Testifying against the bill was Todd Isacc Skelton.

OTHERS: Others testifying on the bill say that many domestic and international companies are interested in exploring biomass energy production in Missouri.

Testifying on the bill was MCS European PLC.