COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2005-01
Bill No.: Perfected HB 854
Subject: Agriculture and Animals; Agriculture Department; Business & Commerce; Economic Development; Motor Fuel; Tax Credits; Revenue Department
Type: Original
Date: April 29, 2015

Bill Summary: This proposal repeals the expiration date for provisions relating to the Missouri Qualified Fuel Ethanol Producer Incentive Fund and authorizes income tax credits for qualified alternative fuel vehicles.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue*	($140,550 to $5,931,445)	($40,865 to $5,831,760)	($41,288 to $5,832,183)
Total Estimated Net Effect on General Revenue	**($140,550 to $5,931,445)**	**($40,865 to $5,831,760)**	**($41,288 to $5,832,183)**

***The tax credit created in this proposal shares a $1,000,000 annual cap with the Alternative Fuel Infrastructure tax credit implemented in 2014 from SB 729.**

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	**1 FTE**	**1 FTE**	**1 FTE**

☒ 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 2016	FY 2017	FY 2018
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

House Amendment 1

§§ 135.710, 135.711 - Alternative Fuel Vehicle Income Tax Credits:

In response to similar legislation from 2015 (HB 664), officials at the **Department of Revenue (DOR)** assumed beginning January 1, 2015, the legislation allows a taxpayer a tax credit for purchasing a new qualified alternative fuel vehicle or converting a pre-owned vehicle to a qualified alternative fuel vehicle. This proposal allows tax credits based on three different categories of vehicle weight. Subsection 4 of this bill establishes an aggregate amount not to exceed one million dollars in a fiscal year.

DOR requires 335.88 hours of form and programming changes to the Individual Tax System at $75 per hour for a total estimated cost of $25,191 and 503.28 hours of form and programming changes to the Banking and Utilities Tax System at $75 per hour for a total estimated cost of $37,746 for a grand total of $100,683.

Personal Tax requires one (1) Revenue Processing Technicians I for tax credit redemption and tax credit transfers and Corporate Tax requires three (3) Revenue Processing Technicians I for tax credits redeemed, error correction, and additional correspondence. DOR's total estimated FTE cost is approximately $100,000 per year.

Oversight assumes the responsibilities of this proposal can be handled by one additional FTE. Should DOR see an increase in tax credit redemptions, DOR can seek additional resources through the appropriation process.

Oversight has, for fiscal note purposes only, changed the starting salary for the Revenue Processing Technician I ($25,884) to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees over the last six months and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

ASSUMPTION (continued)

In response to similar legislation from 2015 (HB 664), officials at the **Office of Administration's Division of Budget and Planning** assumed this proposal would create a tax credit for taxpayers that purchase a new qualified alternative fuel vehicle or convert a previously purchased vehicle into a qualified alternative fuel vehicle, beginning January 1, 2015. These tax credits and those in §135.710, RSMo, are capped at an aggregate of $1,000,000 per calendar year. These tax credits are subject to appropriation. This proposal could therefore reduce General and Total State Revenues by up to this amount annually.

In response to similar legislation from 2015 (HB 664), officials at the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** assumed an unknown reduction of premium tax revenue as a result of the authorization of the qualified alternative fuel vehicles tax credit is possible. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

DIFP also assumed 56 hours of programming changes at $75 per hour for a total cost of $4,212 to the Premium Tax Credit System.

Oversight assumes DIFP is provided with core funding to handle a certain amount of computer programming activity each year. Oversight assumes DIFP could absorb the programming costs related to this provision.

In response to similar legislation from 2015 (HB 664), officials from the **Office of the Secretary of State (SOS)** stated many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

ASSUMPTION (continued)

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this provision. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

In response to similar legislation from 2015 (HB 664), officials at the **Department of Economic Development**, the **Joint Committee on Administrative Rules** and the **Department of Natural Resources** each assumed no fiscal impact from this provision to their respective organizations.

Oversight notes the cumulative amount of tax credits which may be claimed by eligible applicants claiming all credits authorized in this proposal shall not exceed $1,000,000 in any calendar year. Therefore, Oversight will show the impact as $0 (no credits claimed) to the maximum $1,000,000.

§142.029 - Economic Subsidies for Fuel Ethanol Producers:

In response to the previous version of this proposal, officials from the **Office of Administration - Division of Budget and Planning (B&P)** assumed the proposal would eliminate the sunset for the Missouri Qualified Producer Incentive Program. The last payment to a qualified ethanol producer occurred in FY13. It is unknown how many ethanol production facilities may be established and qualify as a qualified ethanol producers in the future. A general revenue transfer to the Missouri Qualified Fuel Ethanol Producer Incentive Fund is used to pay for these incentives.

B&P assumed an unknown cost to the General Revenue Fund from this proposal.

In response to the previous version of this proposal, officials from the **Department of Agriculture (AGR)** note all existing ethanol producers in Missouri have already qualified and received funding subsidies for the 60 month time period they were eligible under the Ethanol Producer Incentive Program. AGR state they are unaware of any plans for new construction of either traditional corn or biomass-based ethanol plants in Missouri.

AGR assumed the removal of the sunset date does allow for the possibility of additional ethanol incentives at some time in the future. AGR assumes a fiscal impact of $0 to an unknown cost from this proposal.

AGR provided the following total Missouri Ethanol Production and Payment information from FY00 - FY13.

ASSUMPTION (continued)

Fiscal Year	Production	Payments
00	1,810,801	$364,259
01	22,523,273	$4,524,989
02	40,011,740	$4,905,706
03	43,464,260	$3,093,748
04	59,793,540	$3,576,485
05	79,436,946	$5,340,834
06	110,834,572	$8,102,393
07	154,485,337	$13,687,990
08	187,820,705	$9,191,905
09	222,019,498	$12,500,000
10	254,072,540	$13,366,382
11	260,167,086	$9,375,000
12	254,044,088	$8,802,378
13	257,623,905	$4,790,895
Total	**1,948,208,290**	**$101,622,967**

Source: Department of Agriculture

Oversight assumes this proposal would permit additional appropriations from the General Revenue Fund after the expiration date (12/31/15) for new construction of corn or biomass ethanol producers. For the purpose of the fiscal note, Oversight will show $0 (no new construction) or a cost up to ($4,790,895), the most recent ethanol incentive payment paid from general revenue in FY13, if new construction occurs and incentives are passed.

In response to the previous version of this proposal, officials from the **Department of Transportation** and the **Department of Revenue** each assumed the proposal would not fiscally impact their respective agencies.

House Amendment 2

Oversight assumes HA2 extends the expiration date for economic subsidies for fuel ethanol producers to December 31, 2019.

Oversight assumes HA2 would not change the fiscal impact of this proposal of $0 (no new construction) or a cost up to ($4,790,895) in FY16, FY17, and FY18.

FISCAL IMPACT - State Government	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
Costs - AGR			
§142.029 - Ethanol Producer Incentives	$0 or (up to $4,790,895)	$0 or (up to $4,790,895)	$0 or (up to $4,790,895)
Revenue Reduction - creation of tax credit §135.711* - HA1	$0 to ($1,000,000)	$0 to ($1,000,000)	$0 to ($1,000,000)
Cost - DOR - HA1			
Personal Service	($21,570)	($26,143)	($26,404)
Fringe Benefits	($11,217)	($13,596)	($13,731)
Equipment and Expenses	($7,080)	($1,126)	($1,153)
Computer Programming	($100,683)	$0	$0
Total Cost - DOR - HA1	($140,550)	($40,865)	($41,288)
Total FTE Change - DOR - HA1	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	**($140,550 to $5,931,445)**	**($40,865 to $5,831,760)**	**($41,288 to $5,832,183)**
Estimated Net FTE change on General Revenue	1 FTE	1 FTE	1 FTE

***The tax credit created in this proposal shares a $1,000,000 annual cap with the Alternative Fuel Infrastructure tax credit implemented in 2014 from SB 729.**

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

FISCAL IMPACT - Local Government	FY 2016 (10 Mo.)	FY 2017	FY 2018
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

House Amendment 1

§§ 135.710, 135.711 - Alternative Fuel Vehicle Income Tax Credits:

Small businesses that qualify for the new tax credit could be positively impacted by this proposal.

FISCAL DESCRIPTION

House Amendment 1

§§ 135.710, 135.711 - Alternative Fuel Vehicle Income Tax Credits:

Beginning January 1, 2015, this proposal authorizes a tax credit for the purchase of a new qualified alternative fuel vehicle or for converting a previously-purchased motor vehicle to a qualified fuel vehicle in the following amounts: $5,000 for each vehicle with a gross vehicle weight (GVW) of greater than 2,000 pounds but less than 10,000 pounds, $7,000 for a heavy-duty vehicle with a GVW of at least 10,000 pounds but less than 26,000 pounds, and $20,000 for vehicles with a GVW of at least 26,000 pounds. The credit cannot be refunded, transferred, sold, or assigned, but may be carried forward for up to 10 subsequent taxable years.

The tax credit is added to the $1 million per year cumulative cap set for tax credits for electric vehicle recharging properties and alternative fuel refueling properties in Section 135.710, RSMo, and is subject to appropriations. A taxpayer cannot receive more than $100,000 in tax credits before March 31 per year. Beginning April 1, all unused, appropriated credits can be issued to any taxpayer for any qualified alternative fuel vehicle and not be subject to the $100,000 cap.

The proposal allows any alternative fuel vehicle to exceed the maximum GVW limit and axle weight limit for such vehicle under Section 304.180 by 2,000 pounds.

The provisions of the bill will expire December 31 six years from the effective date.

House Amendment 2

§142.029 - Economic Subsidies for Fuel Ethanol Producers:

Currently, the economic subsidies that are available to Missouri qualified fuel ethanol producers will expire on December 31, 2015. This act repeals this expiration date, and allows the expiration date for such subsidies to revert to December 31, 2019.

FISCAL 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

Department of Revenue
Department of Agriculture
Office of Administration's Division of Budget and Planning
Joint Committee on Administrative Rules
Office of the Secretary of State
Department of Natural Resources
Department of Economic Development
Department of Transportation
Department of Insurance, Financial Institutions, and Professional Registration

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