

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5426-02
Bill No.: HB 2632
Subject: Tax Credits; Agriculture
Type: Original
Date: March 14, 2016

Bill Summary: This proposal changes the laws regarding agricultural tax credits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0	\$0 to (\$3,000,000)	\$0 to (\$3,000,000)
Total Estimated Net Effect on General Revenue	\$0	\$0 to (\$3,000,000)	\$0 to (\$3,000,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Oversight notes the Qualified Beef Tax Credit has a sunset date of December 31, 2016. In 2015 the amount of credits issued was \$388,080, in 2014 the amount of credits issued was \$188,955 and in 2013 the amount of credits issued was \$813,542. This proposal also changes the qualifying sale rate from ten cents per pound for all sale weights to ten cents per pound for sale weights under six hundred pounds and twenty-five cents per pound for qualifying sale weights of six hundred pounds or greater. These changes will increase credit issuance.

Oversight notes this proposal creates two additional tax credits; the Livestock Risk Protection Tax Credit Act (§135.684) and the Meat Processing Facility Investment Tax Credit Act (§135.686). Both credits are effective January 1, 2017 and, with §135.679 (Qualified Beef Tax Credit Act), have an aggregate cap of \$3 million. The first time these credits can be claimed on a taxpayer's tax return would be FY 2018. Therefore, Oversight will reflect the impact as \$0 (no credits claimed) to the \$3 million annual cap starting in FY 2018.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Revenue Reduction</u> - tax credits under §135.679, §135.684 & §135.686	<u>\$0</u>	\$0 to <u>(\$3,000,000)</u>	\$0 to <u>(\$3,000,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0 to (\$3,000,000)</u>	<u>\$0 to (\$3,000,000)</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill modifies the Qualified Beef Tax Credit Act by modifying the baseline weight to be the average of the previous two years and extending the sunset on the credit from Dec. 31, 2016, to December 31, 2023. Currently, a farmer can receive the tax credit of \$.10 per pound for each pound as long as the sale weight is 200 pounds over the baseline weight. The bill would allow for a credit of \$.10 per pound for each pound as long as the sale weight is 100 pounds over the baseline weight if the sale weight is under 600 pounds and \$.25 per pound for each pound as long as the sale weight is 100 pounds over the baseline weight if the sale weight is 600 pounds or greater. A taxpayer may not claim credit of more than \$10,000 per year and can only claim the credit for up to three years.

This bill also creates Livestock Risk Protection Tax Credit Act, which beginning January 1, 2017, and ending December 31, 2023, authorizes a tax credit for 50% of a taxpayer's cost of the livestock risk protection premiums for the year. The taxpayer may not claim credit of more than \$10,000 per year and can only claim the credit for up to three years. The credit may be assigned, transferred, or sold. A taxpayer may not claim credit under this credit and the Qualified Beef Tax Credit in the same year.

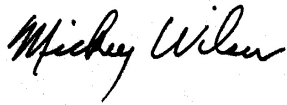
This bill also creates Meat Processing Facility Investment Tax Credit Act, which beginning January 1, 2017, and ending December 31, 2023, authorizes a tax credit for 25% of the amount the taxpayer spent for meat processing modernization or expansion for the year. The taxpayer may not claim credit of more than \$75,000 per year. The credit may be assigned, transferred, or sold.

The amount of credit claimed under the Qualified Beef Tax Credit, the Livestock Risk Protection Tax Credit, and the Meat Processing Facility Investment Tax Credit may not exceed \$3 million per calendar year.

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

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SOURCES OF INFORMATION

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large initial "M".

Mickey Wilson, CPA
Director
March 14, 2016

Ross Strobe
Assistant Director
March 14, 2016