

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0034H.02I
Bill No.: HB 645
Subject: Taxation and Revenue - General; Taxation and Revenue - Income; Tax Credits;
Agriculture; Animals
Type: Original
Date: February 4, 2021

Bill Summary: This proposal modifies provisions of the Family Farms Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on General Revenue	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)

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.

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 Agriculture** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Officials from the **Department of Revenue (DOR)** assume the following regarding this proposal:

Section 348.500.2, RSMo, outlines the definitions and qualifications for participation in the Family Farm Breeding Livestock tax credit program. Previously the definition of “small farmer” required a farmer to have less than \$250,000 in gross sales annually. This proposal is increasing the gross sales limit to \$500,000. Increasing the limit may result in more farmers being able to qualify for the tax credit program.

Section 348.500.4, RSMo, removes the restriction that a small farmer can only be eligible for one loan per family and per type of livestock. Removing this restriction may increase the number of tax credits a farmer may receive and could increase the participation in the program of additional farmers.

Section 348.500.5, RSMo, increases the loan amount for each type of livestock. This may result in larger loans that would qualify for the tax credits. This could also increase the participation in the program by additional farmers.

This tax credit program has a \$300,000 annual cap. The annual cap on this program was not changed and while these changes may result in more credits being claimed, the Department assumes this will not result in additional impact to the State.

For informational purposes the Department is providing the amount of these credits that have been authorized, issued and redeemed, the last few years.

Year	Authorized	Issued	Total Redeemed
FY 2020	\$26,849.87	\$16,817.30	\$9,636.08
FY 2019	\$14,898.18	\$39,235.88	\$34,022.54
FY 2018	\$42,093.03	\$52,507.91	\$106,558.44
FY 2017	\$66,801.60	\$70,892.19	\$27,178.36
FY 2016	\$72,855.33	\$48,967.77	\$35,495.50
FY 2015	\$40,506.00	\$39,309.78	\$24,981.60
FY 2014	\$39,423.64	\$34,251.88	\$22,770.02
FY 2013	\$39,732.39	\$35,044.24	\$32,032.50
FY 2012	\$31,328.73	\$32,228.75	\$53,947.47
TOTALS	\$374,488.77	\$369,255.70	\$346,622.51

Officials from the DOR assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Oversight notes, according to the Tax Credit Analysis form, the Family Farms Act provides Missouri tax credits to lenders in lieu of the first year interest being paid on breeding livestock loans made to “small farmers” who are Missouri residents and who have less than \$250,000 in gross agricultural product sales per year. The maximum eligible loan cannot exceed 90% of the cost of purchasing breeding livestock. Each small farmer shall be eligible for only one family farm livestock loan per immediate household family and only one type of livestock. The maximum amount of loan for each type of livestock is: Beef or Dairy cattle \$75,000; Sheep or Goats \$30,000; Swine \$35,000.

Oversight notes the following certificates and amounts have been issued for the Family Farm Breeding Livestock Loan Program:

	FY 2017	FY 2018	FY 2019	FY 2020 (Est.)	FY 2021 (Est.)
Certificates Issued	29	22	15	9	40
Amount Issued	\$70,892	\$52,508	\$39,236	\$15,723	\$50,000

Oversight notes this proposal expands eligibility to farmers with less than \$500,000 (from \$250,000) in gross agricultural product sales per year, which could expand the program and increase the number of projects that qualify. The program has a \$300,000 annual cap, and Oversight assumes this proposal may increase the number of projects that qualify for the credits; however, Oversight assumes the increase will not be by a substantial amount. Therefore,

Oversight will reflect a cost of “Less than \$100,000” to the General Revenue Fund for the potential increase in the issuance of tax credit issuances.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
<u>Cost - increase in issuance of tax credits for the Family Farm Breeding Livestock tax credit program</u>	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>

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

FISCAL IMPACT – Small Business

Small family farms that can utilize this program could be impacted as a result of this proposal.

FISCAL DESCRIPTION

Currently, a small farmer may qualify for the Family Farm Livestock Loan Program if he or she is a farmer that is a Missouri resident who has less than \$250,000 in gross sales per year and is only eligible for one loan per family and for only one type of livestock.

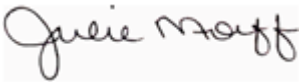
This bill allows a farmer to qualify if he or she has less than \$500,000 in gross sales per year and removes the restriction to only one loan per family. In addition, the bill doubles the maximum amount of the loan for each type of livestock.

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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

Missouri Department of Agriculture
Department of Revenue



Julie Morff
Director
February 4, 2021



Ross Strobe
Assistant Director
February 4, 2021