

HCS HB 3 -- AGRICULTURAL ECONOMIC OPPORTUNITIES

SPONSOR: Pollitt (52)

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Agriculture Policy by a vote of 14 to 0. Voted "Do Pass" by the Standing Committee on Rules- Administrative Oversight by a vote of 10 to 0.

The following is a summary of the House Committee Substitute for HB 3.

This bill modifies the provisions relating to agricultural economic opportunities.

LAND SURVEYS (Sections 60.301, 60.315, and 60.345, RSMo)

The bill adds "center of section" to the points of land included in the definition of "corners of the United States public land survey".

The bill substitutes the phrase "an existent corner" with "a position" within the definition of "obliterated, decayed or destroyed corner".

A description of the procedure used to relate the intersection of meridional and latitudinal lines to the measurement between four known corners is repealed.

Certain options that can be used to reestablish lost standard corners and lost section and quarter-section corners are repealed and replaced with the single proportionate method.

The bill also provides that the proportional position shall be offset, if necessary, in a cardinal direction to the true line defined by the nearest adjacent corners on opposite sides of the quarter corner to be established.

WOOD ENERGY TAX CREDIT (Section 135.305)

The bill extends the tax credit for Missouri wood energy producers from June 30, 2020 to June 30, 2028.

MEAT PROCESSING FACILITY INVESTMENT TAX CREDIT (Section 135.686)

The Meat Processing Facility Investment Tax Credit for the expansion or modernization of meat processing facilities expired on December 31, 2021. The bill extends the tax credit until December 31, 2028. The bill also limits the tax credit to taxpayers who own

a meat processing facility in the state and employ less than 500 people at all processing facilities nationwide.

ETHANOL RETAILERS INCENTIVE (Section 135.755)

For all tax years beginning on or after January 1, 2023, the bill authorizes a tax credit for retail dealers selling higher ethanol blend at the retail dealer's service station or for distributors that sell an ethanol blend directly to the final user in the state. The credit will be equal to \$0.05 per gallon of higher ethanol blend sold and dispensed through metered pumps at the service station or directly to the end user during the tax year. The tax credit will be nontransferable and nonrefundable but may be carried forward to any of the five subsequent tax years. The total amount of tax credits authorized under the bill in a given fiscal year will not exceed \$5 million. The program will sunset on December 31, 2028.

BIODIESEL INCENTIVE PROGRAMS (Sections 135.775 and 135.778)

For all tax years beginning on or after January 1, 2023, the bill authorizes a tax credit for retail dealers selling a biodiesel blend at the retail dealer's service station in the state or for distributors that sell a biodiesel blend directly to the final user in the state. The credit will be equal to \$0.02 per gallon for between a 5% and 10% blend and \$0.05 per gallon for in excess of a 10% but less than 20% blend sold and dispensed through metered pumps at the service station or directly to the final user located in the state during the tax year. If the tax credit exceeds the taxpayers tax liability, the difference shall be refundable. The total amount of tax credits authorized under the bill in a given fiscal year will not exceed \$16 million. The program will sunset on December 31, 2028.

For all tax years beginning on or after January 1, 2023, the bill authorizes a tax credit for Missouri biodiesel producers in the state. The credit will be equal to \$0.02 per gallon produced by the Missouri biodiesel producer during the tax year.

If the tax credit exceeds the taxpayers tax liability, the difference shall be refundable. The total amount of tax credits authorized under the bill in a given fiscal year will not exceed \$4 million. The program will sunset on December 31, 2028.

URBAN FARMS (Section 135.1610)

The bill allows a taxpayer to claim a tax credit against the taxpayer's state tax liability in an amount equal to 50% of the taxpayer's eligible expenses for establishing an urban farm or

improving an urban farm in an urban area that produces agricultural products solely for distribution to the public.

The amount of the tax credit claimed shall not exceed the amount of the taxpayer's state tax liability in the tax year for which the credit is claimed, the taxpayer shall not be allowed to claim a tax credit under this section in excess of \$5,000 for each urban farm. However, any tax credit that cannot be claimed in the tax year the contribution was made may be carried over to the next three succeeding tax years until the full credit is claimed.

The total amount of tax credits authorized shall not exceed \$200,000. These tax credits cannot be transferred, sold, or assigned. Any taxpayer granted a tax credit who uses the farm for which the credit was issued for personal benefit must repay the tax credit. The program sunsets December 31st, 2028.

ROLLING STOCK TAX CREDIT (Section 137.1018)

This bill reauthorizes a tax credit for eligible expenses incurred in the manufacture, maintenance, or improvement of a freight line company's qualified rolling stock, which expired on August 28, 2020. Such credit would be reauthorized until August 28, 2028.

SALES TAX EXEMPTIONS FOR FARM EQUIPMENT (Section 144.030)

The bill specifies that sales of certain farm machinery and equipment, including utility vehicles, used for any agricultural purpose are exempt from sales tax. Additionally, this bill provides and alters definitions for utility vehicles.

SOYBEAN PRODUCERS ASSESSMENT (Section 275.357)

Currently, the federal soybean producers assessment is 0.5% of the net market price of soybeans grown in this state and the state assessment is one half of the national assessment. This bill specifies that as long as the federal assessment remains at 0.5%, the state assessment must correspond to the state credit of the total assessment paid to the commodity merchandising council.

If federal assessment is reduced or ceases, the state assessment will be equal to 0.5% of the net market price of soybeans grown within the state. The bill specifies how the state and federal assessments are to be collected and remitted and that the state fees are subject to refund.

LOCAL LOG TRUCKS (Sections 301.010, 301.062, 304.180 and 304.240)

The bill modifies the definition of "local log truck" and "local

log truck tractor" to specify weight distribution and a total maximum weight for each truck, and updates weight and distance limits. In addition, the bill also sets fines for load-limit violations involving a local log truck or a local log truck tractor.

AGRICULTURAL TAX CREDIT EXTENSIONS (Section 348.436)

The Agricultural Product Utilization Contributor Tax Credit under Section 348.430, and the New Generation Cooperative Incentive Tax Credit under Section 348.432 expired on December 31, 2021. The bill extends the expiration date to December 31, 2028.

SPECIALTY AGRICULTURAL CROPS (Section 348.491 and 648.493)

This bill creates the "Specialty Agricultural Crops Act", a loan program to be established by the Missouri Agricultural and Small Business Development Authority for the purchase of certain specialty crop resources. The eligibility requirements are specified in the bill.

The maximum loan amount a producer may be eligible to receive is \$35,000. The bill specifies the maximum loan amounts available under the program and the considerations that are to be weighed by the authority when deciding upon a loan application. The bill waives the interest payments for any approved farmer for the first year, provides financing up to 90% of the anticipated cost of the specialty crop purchase, and allows the authority to charge a one time loan review fee of 1% to be charged by the lender. Nothing in the Specialty Agricultural Crops Act precludes any farmer from participating in any other agriculture program.

The bill provides a tax credit to any lender participating in the loan program equal to 100% of the interest waived by the lender for the first year of the loan. The amount of tax credits issued to all eligible lenders in a fiscal year may not exceed \$300,000. The tax credits created in the Act may be claimed on a quarterly basis, are not refundable and may be carried over for no more than three years.

The program will sunset December 31, 2028.

FAMILY FARMS ACT (Section 348.500)

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. The 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.

ANHYDROUS AMMONIA (Sections 643.050, 643.079, 643.245 and repeal of 266.355)

The bill repeals provisions of law that give the Department of Agriculture oversight over standards relating to anhydrous ammonia and authorizes the Air Conservation Commission to adopt, promulgate, amend, and repeal rules and regulations for covered processes at agricultural stationary sources that use, store, or sell anhydrous ammonia, and regulations necessary to implement and enforce the risk management plans under the federal Clean Air Act.

Each retail agricultural facility that uses, stores, or sells anhydrous ammonia that is an air contaminant source subject to a risk management plan under the federal Clean Air Act must pay an annual registration of \$200. The bill also establishes an annual tonnage fee for anhydrous ammonia of \$1.25 per ton used or sold.

Each distributor or terminal agricultural facility that uses, stores, or sells anhydrous ammonia that is an air contaminant source subject to a Risk Management Plan Program 3 under federal regulations relating to chemical accident prevention must pay an annual registration of \$5,000 and does not pay a tonnage fee.

The bill creates the "Anhydrous Ammonia Risk Management Plan Subaccount" within the Natural Resources Protection Fund which shall consist of fees required in these provisions.

EFFECTIVE DATE

The bill contains an emergency clause.

The following is a summary of the public testimony from the committee hearing. The testimony was based on the introduced version of the bill.

PROPONENTS: Supporters say that this bill encompasses many of the priorities for those in the agricultural industry in the state. Many of the tax credits affected by this bill have helped spur growth in agricultural products throughout the state and support job creation and retention in the industry. The tax credits have helped farmers retain ownership of their products longer and add value to those products. The new tax credits will incentivize the use of renewable fuels produced in the state, which will increase the demand for corn and soybeans across the state.

Testifying for the bill was Representative Pollitt; Missouri Soybean Association; Missouri Cattlemen'S Association; Railway Supply Institute; Missouri Forest Products Association; Mo-Ag; Clean Fuels Alliance of America; POET Bio Processing-Ladsonia; Bayer Corporation; Missouri Automobile Dealers Association; Missouri Bankers Association; Missouri Petroleum and Convenience Association; Missouri Corn Growers Association; Missouri Farm Bureau; and Jill Wood, Missouri Agricultural and Small Business Development Authority.

OPPONENTS: Those who oppose the bill said that Missouri issues approximately \$600 million each year in tax credits and sees little to no benefit. The agricultural tax credits manipulate the market rather than letting the market work on its own.

Testifying against the bill was Americans for Prosperity.

Written testimony has been submitted for this bill. The full written testimony can be found under Testimony on the bill page on the House website.