

HCS HB 658 & 706 -- TAX CREDIT FOR MILK PRODUCERS

SPONSOR: Munzlinger (Dugger)

COMMITTEE ACTION: Voted "do pass" by the Committee on Agri-Business by a vote of 10 to 0.

Beginning January 1, 2009, this substitute authorizes a tax credit for any resident taxpayer who is actively engaged in milk production. The tax credit will be based on milk production for any month in which the average of the United States Department of Agriculture (USDA) Uniform Prices in Federal Orders Numbers 7 and 32 drops below the announced production price during the calendar year.

Beginning January 1, 2010, and the first day of every month thereafter, the Missouri Agricultural and Small Business Development Authority must report and make available to the public the announced price of milk based on:

- (1) The average price of milk in the top five states where milk is imported into Missouri;
- (2) The average transportation costs of importing milk from the top five states where milk is imported into Missouri; and
- (3) The cost of milk production in Missouri.

In any month in which tax credits are available, eligible taxpayers may be issued a tax credit equal to the sum of the difference between the average of the USDA price and the announced price multiplied by the amount of milk produced during the month in pounds divided by 100.

The authority cannot issue more than \$25,000 in tax credits per eligible taxpayer per year. The tax credit can be transferred, but is not refundable and must be claimed in the year in which the credit is issued against the taxpayer's state tax liability or quarterly estimated tax. Taxpayers must submit to the authority an application for the tax credit on a form provided by the authority. The authority may charge a service fee.

The authority cannot issue more credits in any calendar year than are allocable to this program; however, any remaining unissued tax credits in the following programs may also be made available annually for allocation to this program:

- (1) Up to \$30 million in neighborhood assistance tax credits which have not been issued by April 30;

- (2) Up to \$10 million in distressed areas land assemblage tax credits which have not been issued by December 1;
- (3) Up to \$16 million in rebuilding communities and neighborhood preservation tax credits which have not been issued by December 1;
- (4) Up to \$10 million in tax credits for investment in, or relocating a business to, a distressed community which have not been issued by December 1;
- (5) Up to \$15 million in qualified equity investment tax credits which have not been issued by April 30; and
- (6) Up to \$4 million in family development account tax credits which have not been issued by April 30.

The provisions of the substitute will expire two years from the effective date.

FISCAL NOTE: No impact on General Revenue Fund in FY 2010, FY 2011, and FY 2012. (This proposal could allocate roughly \$54.6 million of unused tax credits to this new program in fiscal years 2010, 2011, and 2012.) No impact on Other State Funds in FY 2010, FY 2011, and FY 2012.

PROPOSERS: Supporters say that the Missouri dairy industry contributes \$1.3 billion to Missouri's economy and employs 8,000 workers directly and 18,000 workers indirectly. One cow generates \$14,500 in economic activity. Dairy men work 365 days a year, are battling increased production costs, and have no control over the price they receive for their milk. The bill will determine Missouri dairy industry's survival or failure.

Testifying for the bills were Representatives Dugger and Brown (149); Ronald Thompson; David Fry; Adam Frankenbach; Norris Sloan; Missouri Corn Growers Association; Tim Echelmeier; Larry Purdon; Larry Ragdarke, Dairy Federation of America; Ron Darroh; Stacy McCallister; David McCroskey; Tom Coats; Mark Fellwock; Tyler Cheate; David Melton, Lone Star Milk Producers; Diane and Randy Oliphant; Steve Echelmeier; Lloyd Gunker, Missouri Dairy Association; Nathan Roth; Keith Bohlander; Steve Davis and Duane Crense, Dairy Farms of America, Incorporated; Joseph Golden; Judy Boles; Rick Miller; David and Sheila McDranski; Johnathon Pampenden; Dwight Fry; Phillip Lane, Jr.; and Charles Flecher.

OPPOSERS: There was no opposition voiced to the committee.