

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4296-02
Bill No.: SCS for SB Nos. 627 & 925
Subject: Agriculture, Agriculture Department, Animals, Taxation and Revenue - Sales and Use
Type: Original
Date: February 26, 2018

Bill Summary: This proposal modifies provisions relating to agriculture.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
Parks, Soil & Water	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Conservation Commission	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
School District Trust	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
Local Government	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

§137.016, §137.021 and §137.115 Urban and Community Gardens

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume the bill would statutorily create and define urban and community gardens, provide that such gardens be classified as agricultural and horticultural property for the purposes of property taxation, and allow taxpayers to ask that real property be reclassified based on a change in the property's use or purpose. Because the urban and community garden provisions would allow real property to be reclassified and thus made subject to different tax rate, the bill could impact property tax revenues deposited into the state's Blind Pension Fund, potentially decreasing total state revenues and general revenue collections, and negatively impacting the state's Article X, Section 18(e) calculation.

Officials at the **Department of Agriculture** and the **State Tax Commission** each assume there is no fiscal impact from this proposal.

Oversight notes that county assessor's are responsible for classifying all property in Missouri into the following categories, for tax purposes:

- class one: real property
- class two: tangible personal property
- class three: intangible personal property.

Once property is classified into one of these categories, the assessor then has the responsibility, to further classify all the class one real property into one of three additional categories:

- 1) residential property; (19% tax rate)
- 2) agricultural and horticultural property; (12% tax rate)
- 3) utility, industrial, commercial, railroad, and all other property not included in subclasses (1) and (2) of class 1 property. (32% tax rate)

Oversight notes this proposal would allow urban and community gardens to be classified as agricultural and horticultural property instead of as residential or commercial property for the assessment of property tax. These gardens additionally can not be on or considered residential property. Due to the limited number of these gardens, Oversight will not show a fiscal impact from this proposal.

ASSUMPTION (continued)

§144.010, §262.900, §265.300, §267.565, §276.606 and §277.020 Adding “Bison” to the term “Livestock”

Officials at the **B&P** assume the bill would redefine certain tax-related definitions of the term "livestock" to include "bison." Based on estimated bison production costs and sales in Missouri, B&P estimates these changes could decrease Total State Revenues and General Revenue collections by less than \$100,000 and negatively impact the state's Article X, Section 18(e) calculation.

Oversight notes this proposal modifies the definition of livestock by adding “bison” which would exempt the production and sale of bison from sales tax. Therefore, **Oversight** will show a negative fiscal impact of less than \$100,000 to the state sales tax funds as well as local political subdivisions.

§265.300 Source of Deer Meat

Officials from the **Missouri Department of Conservation** assume this proposal will have a negative unknown fiscal impact due to the uncertainty of the time and effort required of conservation agents to determine the source of deer meat in commercial operations and the potential to spread disease with the growth of herds for slaughter.

Bill as a Whole

Officials at the **Department of Agriculture**, the **Department of Health and Senior Services**, the **Department of Natural Resources**, the **Department of Revenue** and the **Joint Committee on Administrative Rules** each assume there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of

ASSUMPTION (continued)

regulations at substantial costs, the SOS could request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE			
<u>Revenue Reduction</u> - Bison Sales Tax Exemption §144.010	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
PARKS, SOIL & WATER FUND			
<u>Revenue Reduction</u> - Bison Sales Tax Exemption §144.010	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON PARKS, SOIL & WATER	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
CONSERVATION COMMISSION FUNDS			
<u>Revenue Reduction</u> - Bison Sales Tax Exemption §144.010	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
<u>Cost</u> - MDC - administrative costs to determine the source of deer meat §265.300	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021
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SCHOOL DISTRICT TRUST FUND

<u>Revenue Reduction</u> - Bison Sales Tax Exemption §144.010	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
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ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
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<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
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LOCAL POLITICAL SUBDIVISIONS

<u>Revenue Reduction</u> - Bison Sales Tax Exemption §144.010	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
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ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
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FISCAL IMPACT - Small Business

This proposal could have a fiscal impact by exempting some small businesses from paying or charging for state and local taxes associated with purchase, possession, or sale of bison.

FISCAL DESCRIPTION

Currently, livestock is defined to include buffalo. This act adds the word "bison" to this definition. (§144.010 - §277.020)

This act provides that urban and community gardens, as defined in the act, shall be classified as agricultural and horticultural property for the purposes of property taxation. Urban and community gardens shall be graded as grade #4 under the rule promulgated by the State Tax Commission for establishing land values for agricultural land.

FISCAL DESCRIPTION (continued)

A taxpayer may apply to the county assessor, or, if not located within a county, then the assessor of such city, if the use or purpose of the taxpayer's real property has changed the subclass under which the real property is classified. If the assessor determines that the property shall be reclassified, he or she shall determine the assessment based on the percentage of the tax year that such property was classified in each subclassification. (§137.016 - §137.115)

For purposes of the Meat Inspection Program administered by the Missouri Department of Agriculture, this act modifies the definitions of "meat" and "meat product" to include captive cervids. Further, this act modifies the definition of "commercial plant" to include an establishment in which captive cervids are slaughtered, and modifies the definition of "unwholesome" to include captive cervids which have died other than by slaughter. (§265.300)

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 Agriculture
Department of Conservation
Department of Health and Senior Services
Department of Natural Resources
Department of Revenue
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Office of the Secretary of State
State Tax Commission

Ross Strobe



Acting Director
February 26, 2018