

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3898-02  
Bill No.: HCS for HB 1586  
Subject: Taxation and Revenue - General; Tax Credits; Food; Urban Development  
Type: Original  
Date: February 10, 2020

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Bill Summary: This proposal authorizes a tax credit for establishing or improving an urban farm.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	(\$2,000 to \$102,000)	(Up to \$100,000)	(Up to \$100,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$2,000 up to \$102,000)</b>	<b>(Up to \$100,000)</b>	<b>(Up to \$100,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any Of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration - Budget & Planning Division (B&P)** state this proposal creates a tax credit for taxpayers who establish or improve an urban farm within an urban area. If an urban farm is established or improved within a qualifying area, the qualifying taxpayer would be able to claim tax credits against their state tax liability up to 50% of eligible expenses for establishing the urban farm. Each urban farm cannot claim a tax credit in excess of \$5,000. The tax credits may be carried forward to the next three succeeding tax years. There will be a \$100,000 cap placed on the tax credit.

This proposal could reduce General Revenue (GR) and Total State Revenues (TSR) up to (\$100,000) annually and could impact the calculation under Article X, Section 18(e).

**Oversight** notes B&P assumes GR and TSR could be reduced by an amount equal to “up to \$100,000” annually.

Officials from the **Missouri Department of Revenue (DOR)** state this proposal would allow a tax credit against a taxpayer's state tax liability equal to fifty percent of the eligible expenses for establishing or improving an urban farm. The tax credit cannot be transferred, sold or assigned. The total amount of credits that can be authorized annually is \$100,000. DOR assumes the negative impact to GR would be up to the \$100,000 that can be authorized annually.

DOR assumes this legislation will result in an unknown increase in tax credits redeemed and errors/correspondences generated. If the increase is significant, DOR will request FTE through the appropriations process based on the following:

One (1) Revenue Processing Technician I for every 6,000 tax credits redeemed and one (1) Revenue Processing Technician I for every 7,600 errors/correspondence generated. DOR states this proposed legislation would require \$2,000 for form(s) and programming costs.

**Oversight** notes DOR assumes GR and TSR could be reduced by an amount equal to “up to \$100,000” annually.

**Oversight** notes DOR assumes they can absorb the cost of the redemptions and error corrections of the tax credit proposed; however, \$2,000 for form(s) and programming costs will be needed. Oversight does not have any information to the contrary. Therefore, Oversight, for the purposes of this fiscal note, will only report the \$2,000 for the form(s) and programming changes required.

ASSUMPTION (continued)

**Oversight** notes this proposed legislation would grant a tax credit to taxpayers who establish or improve an urban farm equal to fifty percent (50%) of the eligible expenses incurred in establishing or improving such. The tax credit granted under this proposed legislation may be used to offset or eliminate the taxpayer's state tax liability imposed under Chapter 143.

Oversight notes eligible expenses is defined as expenses incurred in the construction or development of establishing or improving an urban farm in an urban area.

Oversight further notes, per data published by the United States Census Bureau, there were approximately 119 urban areas observed in Missouri during the 2010 Census. Of those 119 urban areas, 110 are entirely in this state while 9 are partly in this state.

The fifty percent (50%) tax credit proposed is non-refundable and may not exceed a taxpayer's state tax liability. Any amount of tax credit that exceeds a taxpayer's state tax liability may be carried forward to the next three succeeding tax years. No taxpayer may claim a tax credit in excess of \$5,000 for each urban farm established or improved. The aggregate amount of tax credits authorized under this proposed legislation shall not exceed \$100,000 during any one calendar year. Therefore, Oversight assumes the minimum number of recipients of the tax credits proposed could be as low as 20 ( $\$100,000/\$5,000$ ).

Oversight assumes that GR and TSR could be reduced by an amount up to \$100,000 each fiscal year beginning in Fiscal Year 2021 as a result of this tax credit. Oversight notes this proposed legislation does not provide a beginning date for the tax credit. Therefore, Oversight assumes the tax credit program would go into effect the same day as the effective date of the language if the bill is passed (August 28, 2020).

**Oversight** notes the **Missouri Department of Agriculture** has stated the proposed legislation would not have a direct fiscal impact on their respective organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this organization.

Officials from the **Joint Committee on Administrative Rules (JCAR)** assume this proposal is not anticipated to cause a fiscal impact beyond current appropriations.

**Oversight** assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

ASSUMPTION (continued)

In response to a previous version of this proposed legislation, officials from the **Office of the Secretary of State (SOS)** stated 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 \$5,000. 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 regulations at substantial costs, the SOS could request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
<b>GENERAL REVENUE FUND</b>			
<u>Revenue Reduction</u> (Section 135.1610) - Urban Farm Tax Credit	(Up to \$100,000)	(Up to \$100,000)	(Up to \$100,000)
<u>Cost</u> (Section 135.1610) - DOR form(s) and programming	<u>(\$2,000)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$2,000 to \$102,000)</u></b>	<b><u>(Up to \$100,000)</u></b>	<b><u>(Up to \$100,000)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

### FISCAL IMPACT - Small Business

This proposed legislation could impact any small business that establishes or improves an urban farm as they may be able to claim a tax credit to reduce or eliminate state tax liabilities. (Section 135.1610)

### FISCAL DESCRIPTION

This 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 or improving an urban farm. 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 \$100,000. These tax credits cannot be transferred, sold, or assigned. The program will sunset December 31, six years after the effective date. (Section 135.1610)

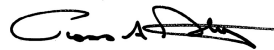
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Office of Administration - Budget & Planning Division  
Missouri Department of Revenue  
Missouri Department of Agriculture  
Joint Committee on Administrative Rules  
Missouri Secretary of State's Office



Julie Morff  
Director  
February 10, 2020



Ross Strobe  
Assistant Director  
February 10, 2020