

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4670-01
Bill No.: HB 2041
Subject: Taxation and Revenue - General; Taxation and Revenue - Income; Tax Credits; Agriculture; Animals
Type: Original
Date: January 28, 2020

Bill Summary: This proposal modifies the definition of “small farmer” within the Family Farms Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
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 2021	FY 2022	FY 2023
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 5 pages.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
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 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Agriculture** assume the proposal will have no fiscal impact on their organization.

Officials from the **Department of Revenue (DOR)** assume this proposal outlines the definitions and qualifications for participation in the Family Farm Breeding Livestock tax credit program. The tax credit program has a \$300,000 annual cap. 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. However, with the \$300,000 annual cap, this program is not expected to result in additional impact to the state; therefore, this proposal will have no impact on DOR.

Oversight notes that the agencies mentioned above have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

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

ASSUMPTION (continued)

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 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE FUND			
<u>Cost</u> - increase in issuance of tax credits for the Family Farm Breeding Livestock tax credit program	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
<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

Small family farms could be impacted as a result of this proposal.

FISCAL DESCRIPTION

Currently, a small farmer may qualify for the Family Farm Breeding 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. This bill allows a farmer to qualify if he or she has less than \$500,000 in gross sales per year.

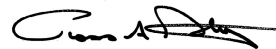
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Agriculture
Department of Revenue



Julie Morff
Director
January 28, 2020



Ross Strobe
Assistant Director
January 28, 2020