

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5024-01
Bill No.: HB 2274
Subject: Taxation and Revenue - General; Taxation and Revenue - Income; Tax Credits; Department of Revenue; Energy; Agriculture
Type: Original
Date: February 17, 2020

Bill Summary: This proposal reauthorizes the Wood Energy Tax Credit until June 30, 2026.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue*	(\$1,500,000) or up to (\$6,000,000) depending upon appropriation	(\$1,500,000) or up to (\$6,000,000) depending upon appropriation	(\$1,500,000) or up to (\$6,000,000) depending upon appropriation
Total Estimated Net Effect on General Revenue*	(\$1,500,000) or up to (\$6,000,000) depending upon appropriation	(\$1,500,000) or up to (\$6,000,000) depending upon appropriation	(\$1,500,000) or up to (\$6,000,000) depending upon appropriation

* Continuation of existing tax credit program (currently set to expire 6/30/2020). The fiscal impact is ranged from \$1.5 million (FY 2020 appropriation level for the tax credit) to \$6 million (annual program cap).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> 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

Section 135.305- Reauthorization of the Wood Energy Tax Credit until June 30, 2026

Officials from the **Office of Administration - Division of Budget & Planning (B&P)** assume this proposal has no direct impact on B&P, no impact on General Revenue (GR) or Total State Revenue (TSR) nor will it impact the calculation under Article X, Section 18(e).

Oversight's policy is to show the extension of the tax credit in the fiscal note. Oversight will show the revenue reduction (TSR and GR) for Fiscal Year(s), beginning in Fiscal Year 2021, as a continuation at the current appropriation level (\$1,500,000) or up to the \$6 million annual cap.

Officials from the **Missouri Department of Revenue** note the Wood Energy Tax Credit has a \$6 million annual cap that is subject to appropriations. The legislature appropriated \$1 million in Wood Energy Tax Credits in Fiscal Year 2018 and Fiscal Year 2019. The legislature appropriated \$1.5 million in Wood Energy Tax Credits in Fiscal Year 2020. The Wood Energy Tax Credit authorized under this section is not currently allowed additional authorizations after June 30, 2020. This proposed legislation would extend the sunset date applied to the credit until June 30, 2026.

DOR assumes no additional impact to their agency from the extension of the Wood Energy Tax Credit.

Oversight's policy is to show the extension of the tax credit in the fiscal note. Oversight will show the revenue reduction (TSR and GR) for Fiscal Year(s), beginning in Fiscal Year 2021.

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

Oversight notes this proposed legislation extends the expiration date or end date for the Wood Energy Tax Credit authorized under Section 135.305 from June 30, 2020 to June 30, 2026. The issuance of the Wood Energy Tax Credit is subject to appropriation by the General Assembly and has a cap of \$6 million for each fiscal year. Oversight notes the previous three fiscal year's appropriations for the Wood Energy Tax Credit were:

Fiscal Year 2020 - \$1.5 million (HB 6)
Fiscal Year 2019 - \$1.0 million (HB 2007)
Fiscal Year 2018 - \$1.0 million (HB 7)

ASSUMPTION (continued)

Oversight notes, according to the Tax Credit Analysis submitted by the Department of Natural Resources regarding the Wood Energy Tax Credit program, the Wood Energy Tax Credit had the following activity:

	FY 2017 ACTUAL	FY 2018 ACTUAL	FY 2019 ACTUAL	FY 2020 (full year) Est.	FY 2021 (budget year) Est.
Certificates Issued (#)	7	7	9	7	0
Projects (#)	7	7	9	7	0
Amount Authorized	\$970,000	\$970,000	\$678,887	\$1,455,000	\$0
Amount Issued	\$970,000	\$970,000	\$678,887	\$1,455,000	\$0
Amount Redeemed	\$1,374,622	\$891,087	\$789,077	\$989,077	\$989,077
FY 2020 EST. Amount Outstanding		\$1,388,703	FY 2020 EST. Amount under review to be Authorized and Issued		\$3,701,213

Since the cap for this tax credit is \$6 million annually (subject to appropriation), for purposes of this fiscal note, Oversight will present the extension of the tax credit as a continuation of the current appropriation level (\$1,500,000) up to the \$6 million annual cap.

FISCAL IMPACT - State Government FY 2021 FY 2022 FY 2023

GENERAL REVENUE

<u>Revenue Reduction</u> - (Section 135.305) - Extension of the Wood Energy Tax Credit from 6/30/2020 to 6/30/2026	(\$1,500,000) or up to (\$6,000,000) depending upon <u>appropriation</u>	(\$1,500,000) or up to (\$6,000,000) depending upon <u>appropriation</u>	(\$1,500,000) or up to (\$6,000,000) depending upon <u>appropriation</u>
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ESTIMATED NET EFFECT ON GENERAL REVENUE	(\$1,500,000) or up to (\$6,000,000) depending upon <u>appropriation</u>	(\$1,500,000) or up to (\$6,000,000) depending upon <u>appropriation</u>	(\$1,500,000) or up to (\$6,000,000) depending upon <u>appropriation</u>
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FISCAL IMPACT - Local Government

FY 2021
(10 Mo.)

FY 2022

FY 2023

\$0

\$0

\$0

FISCAL IMPACT - Small Business

This proposed legislation could potentially impact any small business that utilizes the Wood Energy Tax Credit as the small business could reduce or eliminate their state tax liability.

FISCAL DESCRIPTION

This bill extends the tax credit for Missouri wood energy producers from June 30, 2020 to June 30, 2026. (Section 135.305)

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 - Division of Budget & Planning
Missouri Department of Revenue
Department of Natural Resources



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February 17, 2020



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February 17, 2020