

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1283S.05C
 Bill No.: SCS for HCS for HB 529
 Subject: Agriculture, Department of; Energy; Motor Fuel; Tax Credits; Weights and Measures
 Type: Original
 Date: April 22, 2021

Bill Summary: This proposal establishes a tax credit for the distribution and sale of biodiesel fuel in the State of Missouri.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	\$0	Could exceed (\$12,000,000)	Could exceed (\$12,000,000)
Total Estimated Net Effect on General Revenue	\$0	Could exceed (\$12,000,000)	Could exceed (\$12,000,000)

*This refundable tax credit program sunsets on December 31, 2027.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other State Funds</u>	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some agency responses in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Oversight notes, for all tax years beginning on or after January 1, 2022, a distributor that buys biodiesel fuel from a Missouri biodiesel fuel producer and delivers or sells a biodiesel blend to a retail dealer is allowed a tax credit to be taken against the distributor's state income tax liability. The tax credit shall be equal to five cents (\$0.05) per gallon of biodiesel blend delivered or sold by the distributor to a retail dealer during the tax year in which the tax credit is claimed. The tax credits authorized shall not be transferred, sold, or assigned. The tax credits authorized shall be refundable. The total amount of tax credits authorized for any given fiscal year shall not exceed \$12 million.

Oversight notes, according to the Missouri Department of Natural Resources - Division of Energy, as of April 2020 there are five commercial biodiesel production facilities in Missouri.

Company	City	Feedstock	Nameplate Capacity (MMGY)
Ag Processing Inc.	St. Joseph	Soy oil	30
ADM	Deerfield	Soy oil	50
Mid-America Biofuels LLC	Mexico	Soy oil	50
Paseo Cargill Energy LLC	Kansas City	Soy oil	56
Seaboard Energy	St. Joseph	Animal fats/Corn oil	30
Total			216

*Lakeview Energy in Moberly and TARA Industries in Tina are currently shuttered from production. Production could resume in the future.

Oversight is unable to determine what percentage of the biodiesel capacity stated above would meet the definition of "biodiesel blend" and "biodiesel fuel" to qualify for this tax credit. Oversight is also unable to determine how many distributors of biodiesel there are in Missouri. However, at 216 million gallons per year capacity, if all of the plants above were operating at capacity and all of the biodiesel they produced would qualify under this program, this would equate to roughly \$10.8 million in tax credits (216,000,000 x \$0.05).

Oversight notes the tax credit created is for all tax years beginning on or after January 1, 2022. Oversight notes taxpayers will not file their Tax Year 2022 tax returns until after January 1, 2023 (Fiscal Year 2023).

Oversight notes the actual and overall impact of this proposed legislation is unknown. For purposes of this fiscal note, Oversight will report a revenue reduction to GR of up to the cap of \$12 million beginning in Fiscal Year 2023.

Oversight notes the tax credit created would automatically sunset on December 31, 2027 unless reauthorized by the General Assembly.

Oversight assumes the Department of Revenue (DOR) as well as the Missouri Department of Agriculture (MDA) may incur costs to administer the program; however, we haven't received their responses by the time we had to submit the fiscal note. Therefore, we will reflect a \$0 or (Unknown) cost for DOR and MDA.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to similar proposals with rule promulgation language, officials from the **Office of the Secretary of State** noted many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize 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 their office can sustain with their core budget. Therefore, they reserve 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.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
<u>Costs</u> – DOR & MDA – to administer the tax credit	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Reduction</u> – \$135.755 – Tax Credit For Distributors of Biodiesel	<u>\$0</u>	<u>Up to (\$12,000,000)</u>	<u>Up to (\$12,000,000)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$0</u>	<u>Could exceed (\$12,000,000)</u>	<u>Could exceed (\$12,000,000)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Small biodiesel distributors could be impacted as a result of this proposal.

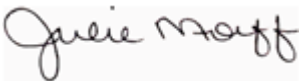
FISCAL DESCRIPTION

The proposed legislation establishes a tax credit for the distribution and sale of biodiesel fuel in the State of Missouri.

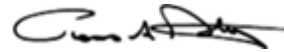
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Joint Committee on Administrative Rules
Department of Natural Resources



Julie Morff
Director
April 22, 2021



Ross Strobe
Assistant Director
April 22, 2021