

September 23, 2022

Lobbyists and #MoLeg watchers fully expected the first real part of the special session to be a repeat of the last two years in the Missouri Senate: moderates vs. conservatives, bickering and grievances. That was not the case. Senators got down to business and passed both of Governor Mike Parson's priorities.

Below is a recap of special session floor debate in both chambers, committee hearings and the usual tidbits. No floor work is expected to take place next week. We will keep you updated if that changes.

Please let us know if you have any questions or concerns. As always, thanks for your time and enjoy the fall weekend!

Floor Debate

The Senate dedicated floor time Tuesday afternoon to debate Senate Bill 8. During debate, substitute language was offered to include and extend the Wood Energy Tax Credit to June 30, 2028. Senator Denny Hoskins (R-Warrensburg) further amended the bill to modify provisions relating to log trucks and weight limitations, provides oversight of anhydrous ammonia standards just to the Air Conservation Commission, specifies how the state shall assess soybean producers, and modifies law relating to land surveyors by clarifying the method used to determine township lines. After considerable debate, the Senate provided its first of two necessary approval votes. On Wednesday morning, after a brief debate, the Senate passed the bill by a 26-4 vote, and adopted the emergency clause by the same-6 vote. The bill has been sent to the House for further consideration.

The full House dedicated floor time Wednesday morning to debate House Bill 3. During the debate, Representative Mike Haffner (R-Pleasant Hill), successfully amended the bill to align bill language with the Senate companion bill by changing "met" to "claimed" regarding tax standard requirements. Once modified, the House provided its first of two necessary approval votes. On Wednesday afternoon, after considerable debate, the House passed the bill by an 83-28 vote, but failed to adopt the emergency clause. The bill now will be sent to the Senate for further consideration.

Tidbits

- On Tuesday, the Missouri Supreme Court heard an appeal by county commissioners who sought to regulate concentrated animal feeding operations (CAFOs), after Cole County Circuit Judge Daniel Green decided late last year that the 2019 law (SB 391) bars counties from straying from the state's rules. The county commissioners' attorney, Stephen Jeffery, argued the "Right to Farm" amendment of the Missouri Constitution expressly grants authority to regulate agricultural facilities to counties and that SB 391 was applied retroactively to nullify existing CAFO laws. The state argued when a pre-existing local ordinance conflicts with state statute, the state law overrules it, and SB 391 can only enhance farming. No ruling has yet been issued by the Supreme Court.
- Nearly \$40 million in federal funds will flow to rural counties in Missouri and Illinois to build high-speed internet networks, U.S. Agriculture Secretary Tom Vilsack announced Thursday. Most of the funding comes in the form of low-interest loans from the Department of Agriculture; some is part of a grant from the ReConnect Loan and Grant Program, established by Congress in 2019. Net Vision Communications will use a \$12.3 million loan to deliver high-speed internet to 4,587 people, 300 businesses, nine farms, and 15 public schools in Missouri's Barton County and

Chariton Valley Telephone Corp. will use a \$2.2 million grant to build high-speed internet infrastructure for 642 people, eight businesses and 94 farms in Monroe and Rudolph County.

- The Department of Economic Development (DED) has posted the final guidelines for its Community Revitalization Grant Program. The program is funded via the State of Missouri's share of the American Rescue Plan Act (ARPA). This program will invest \$100 million to help communities recover from the negative economic impacts of COVID-19 while spurring economic growth statewide. The Community Revitalization Grant Program's guidelines were posted in June and DED accepted public comment from June 27 through July 11. The final guidelines are now available [here](#).
- On Wednesday, Governor Parson announced nearly \$3 million in grant funding has been approved for 11 colleges and universities to help enhance nursing education programs and develop solutions to help alleviate staffing shortages felt nationwide. The 11 competitive grants, totaling \$2,997,690, were part of an appropriation to the Missouri State Board of Nursing. In addition to these funds, the Missouri State Board of Nursing has awarded more than \$8 million through the Nursing Education Incentive Program (NEIP) to the various college and university grant winners.

Legislative Activity This Week

Sports Wagering

The House Emerging Issues Committee convened Monday afternoon to discuss HB 4 sponsored by Representative Dan Houx (R-Warrensburg). The bill would legalize sports betting in Missouri. The bill also ensures elementary and secondary education athletic events are prohibited from the provisions of the bill and increases the Problem Gambling Fund from \$250,000 to \$500,000. There is a 5-year phase out to equal 100% of the promotional provisions that can be taken off before revenue is figured out and provides language to prohibit direct advertising as a condition of promotion. The bill also modifies language to ensure any wagers placed on sporting events are for events with athletes eighteen and older.

This was the same bill he filed during the regular session without the 8% tax rate reduction amendment, as the original bill language was capped at 10% and the sponsor preferred the higher cap. During the bill presentation, the sponsor informed committee members that the bill is still a work in progress and his intent is to keep the discussion on the forefront in preparation for the 2023 legislative session. The Missouri Gaming Association, St. Louis Cardinals, St. Louis Blues, Kansas City Current, Home Dock Cities Association, Kansas City Royals, St. Louis City SC, Sports Betting Alliance, Kansas City Chiefs Football Club, Missouri Chamber of Commerce and Industry, and the five major league Players' Associations supported the bill. No opposing testimony was presented during the hearing. House and Senate leadership both said this week that the sports wagering legislation will be a priority for them in the 2023 regular session.

Omnibus Income Tax Reduction

The Senate Appropriations Committee convened Monday afternoon to consider six bills that in varying ways relate to reducing the income tax rate. SB 1, SB 6, SB 3, SB 5, SB 7, and SB 18, sponsored by Senators Sandy Crawford (R-Buffalo), Karla Eslinger (R-Wasola), Lincoln Hough (R-Springfield), Andrew Koenig (R-Manchester), Bill Eigel (R-St. Charles) and Denny Hoskins (R-Warrensburg), respectively, vary from reducing the income tax rate from anywhere between 4.7% to 5%, seeks to eliminate the corporate tax provisions, removing the bottom tax rate bracket, to expediting current SB 509 triggers. Americans for Prosperity, Associated Industries of Missouri, and the Show-Me Institute supported the various bills. AARP, the Missouri Budget Project, and Missouri NEA opposed the various bills, stating those on fixed incomes

will see no benefit to the income tax reductions. They also said that there is no way to determine whether Missouri's financial future will include excess revenue.

Immediately after the hearing, the committee went into executive session to consider passage of SB 1 and SB 6, sponsored by Senators Sandy Crawford (R-Buffalo) and Karla Eslinger (R-Wasola). The bills are identical and seek to reduce the income tax rate to 4.8%, remove the bottom tax income bracket, and keep in place all remaining SB 509 (passed in 2014) triggers. During committee discussion, substitute language was adopted to combine both bills into one legislative vehicle. Once modified, the committee passed the Senate Committee Substitute for SBs 1 & 6 by a 10-3 vote.

The committee then turned its attention towards SB 3, sponsored by Senator Lincoln Hough (R-Springfield). The bill expedites two of the SB 509 triggers which would take the top tax income bracket rate to 5% immediately versus two years from now, links the remaining three triggers to the Consumer Price Index (CPI), removes the one-time tax refund provision, and adds the removal of the bottom tax rate bracket. During committee discussion, substitute language was adopted to include SB 5, sponsored by Senator Andrew Koenig (R-Manchester), which would immediately place the income tax at 4.95% in calendar year 2023 and the next reduction would be triggered at a budget surplus of \$175 million and eliminates the bottom tax rate bracket (\$14,500). The bill, as originally filed, included corporate tax reduction provisions. These provisions were not included in the Senate Committee Substitute. Once modified, the committee passed the Senate Committee Substitute for SBs 3 & 5 by a 10-3 vote.

The full Senate dedicated floor time Tuesday morning to debate SBs 3 & 5 sponsored by Senator Lincoln Hough (R-Springfield). During floor debate, the sponsor further amended the bill to exempt the first \$1,000 of income from taxation, instead of the current \$100 exemption, and include provisions to require a five-year look back on general revenue to provide an additional guardrail. After considerable debate, the Senate provided its first of two necessary approval votes. On Wednesday morning, the Senate took up the SCS for SBs 3 & 5 for third reading. After brief debate, they passed the bill by a 24-4 vote and adopted the emergency clause by a 24-6 vote. The bill has been sent to the House for further consideration.

Omnibus Agriculture Tax Credits

The Senate Appropriations Committee convened Monday afternoon to consider SB 8, sponsored by Senator Jason Bean (R-Peach Orchard). The bill is the Senate companion bill to HB 3, sponsored by Representative Brad Pollitt (R-Sedalia) and extends the tax credit sunset dates to 2028 for several agriculture programs, including meat processing facility investment tax credit, the Agricultural Product Utilization Contributor Tax Credit and the New Generation Cooperative Incentive Tax Credit. The bill also authorizes a five-cent tax credit for each gallon of 15%-85% ethanol blended fuel purchased for retailers and a two-to-five-cent tax credit for each gallon of 5%-20% biodiesel blended fuel purchased for retailers, enhances the family farm livestock loan program, and creates the "Specialty Agricultural Crops Act" and the Urban Farms tax credit. Finally, the bill also contains an emergency clause. During the bill presentation, the sponsor informed committee members that the extension for the wood energy tax credit was inadvertently left out of the bill and he plans to offer a floor substitute to include the wood energy provisions.

The committee also dedicated time to discuss four other bills which were filed as singular provisions that are included in the two omnibus agriculture tax bills. Specifically, SB 14, sponsored by Senator Justin Brown (R-Rolla), extends the sunset on the Wood Energy Tax Credit to June 30, 2032; SB 17, sponsored by Senator Mike Bernskoetter (R-Jefferson City), includes the Family Farm Act, extends tax credits to December 31, 2028 for contributions to the MO Agriculture and Small Business Development Authority,

and investments in New-Gen Cooperative Tax Credits; SB 19, sponsored by Senator Denny Hoskins (R-Warrensburg), is similar to SB 8, but includes wood energy and rolling stock tax credit extensions.

The Missouri Soybean Association, Missouri Farm Bureau, Associated Industries of Missouri, Missouri Bankers Association, Clean Fuel Alliance America, Missouri Corn Growers Association, Missouri Petroleum and Convenience Store Retailers Association, Missouri Cattlemen's Association, Missouri Forest Products Association, Railway Supply Institute, Missouri Agribusiness Association, Bayer US LLC, Poet LLC, Missouri Automobile Dealers Association, and Missouri Agricultural Small Business Development Authority supported the bills and informed committee members that the agriculture tax credits are vital to the industry, create economic development opportunities, provide certainty to farmers and banks when loans are being considered, and offers a 3 to 1 investment return to Missouri. Testifying in opposition was a representative from Americans for Prosperity who stated the government should not issue any tax credits as it can influence the market and should instead issue tax cuts for all Missourians. Immediately after the hearing, the committee went into executive session and passed SB 8 by a 12-1 vote.

The House Agriculture Policy Committee also convened Monday to discuss HB 3, sponsored by Representative Brad Pollitt (R-Sedalia). The bill is the House companion to SB 8, highlighted above. Committee discussion and testimony mirrored the Senate hearing. Immediately after the hearing, the committee went into executive session to consider passage of HB 3. During committee discussion, substitute language was adopted to include provisions eliminating the Department of Agriculture's oversight of the standards relating to anhydrous ammonia, establishes the Joint Committee on Rural Economic Development, modifies the law relating to land surveyors by clarifying the method used to determine township lines, specifies how the state shall assess soybean producers, and added technical language which clarifies which funds may be utilized for the various tax credits. During committee discussions, committee members expressed concerns that the substitute was outside the scope of the call for Special Session and expressed concern that Governor Parson would need to expand the call before the bill could be passed on the floor. Once modified, the committee passed the bill by a 14-0 vote. The bill was then referred to the House Committee on Rules-Administrative Oversight, which met later in the day and passed the bill by a 10-0 vote.

Upcoming Hearings...

09/28/2022 12:00 PM – House Budget - Committee Hearing, HR 3

Public Hearing (4):

HB 12	Rep. Cody Smith (R)	Modifies provisions relating to income tax and corporate income tax
HB 13	Rep. Cody Smith (R)	Modifies provisions relating to income tax
HB 14	Rep. Cody Smith (R)	Modifies provisions relating to income tax
SB3	Sen. Lincoln Hough (R)	Modifies provisions relating to income taxes

Executive Session:

HB 12	Rep. Cody Smith (R)	Modifies provisions relating to income tax and corporate income tax
HB 13	Rep. Cody Smith (R)	Modifies provisions relating to income tax
HB 14	Rep. Cody Smith (R)	Modifies provisions relating to income tax
SB3	Sen. Lincoln Hough (R)	Modifies provisions relating to income taxes

09/28/2022 3:00 pm – House Rules – Legislative Oversight – Committee Hearing, HR 3

Executive Session on HB 12, HB 13, HB 14 and SB 3 pending referral.

09/29/2022 1:00 pm – Joint Committee on Agriculture – Committee Hearing, Joint Committee Room (Room 117)

The committee will focus on the economic impact of Missouri's agriculture on the state, environmental stewardship, and policy considerations with testimony/presentations from various Missouri agricultural teams.

Key Upcoming Dates

- October 1, 2022 – Departments must submit proposed budgets for FY 2024
- November 8, 2022 – Missouri General Election
- November 15-17 – Senate Republican Campaign Committee Summer Caucus
- December 1, 2022 – First day of pre-bill filing for the 2023 legislative session
- January 4, 2023 – First day of MO Legislative Session

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