

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1215-01
Bill No.: Perfected HB 506
Subject: Tax Credits; Alcohol; Agriculture and Animals
Type: Original
Date: March 9, 2015

Bill Summary: This proposal changes the laws regarding the tax credit for wine production.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$60,000)	(\$60,000)	(\$60,000)
Total Estimated Net Effect on General Revenue	(\$60,000)	(\$60,000)	(\$60,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
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 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
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 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

In response to similar legislation from this year (SB 293), officials at the **Department of Economic Development** assumed §135.700 modifies the wine and grape tax credit to include the purchase of used equipment as an eligible expense for the tax credit. The tax credit is in the amount of 25% the purchase price for all new and used equipment purchased for the purpose of growing or the production of wine in the state. §135.700 (2) places a \$1,000,000 cap on the program.

DED assumed the Business and Community Services Division will continue to administer the program.

DED assumed a negative impact ranging from \$0 - \$1,000,000.

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume the Wine and Grape tax credits could be authorized for used equipment and materials under this proposal. A \$1,000,000 cap is also placed on the tax credit program in this proposal. Since FY 2012, the average annual issuance of Wine and Grape tax credits has been \$53,782, and the average redemption has been \$34,499. This proposal may increase authorizations and redemptions under this program beyond the current averages up to \$965,000, if additional grape growers and wine producers apply.

These tax credits may offset Tax Year 2015 liabilities; therefore, General and Total State Revenues may be reduced as early as FY 2016.

Officials at the **Department of Revenue** assume no fiscal impact from this proposal.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Wine and Grape tax credit program had the following activity;

	FY 2012	FY 2013	FY 2014
Certificates Issued (#)	14	9	12
Amount Issued	\$104,522	\$22,746	\$34,078
Amount Redeemed	\$61,598	\$15,301	\$26,597

ASSUMPTION (continued)

Oversight assumes this proposal places an annual cap of \$1,000,000 on this tax credit. Previously this credit did not have a cap. Oversight assumes placing this new cap would not have a fiscal impact.

Oversight notes that this proposal expands the use of the credit to include the purchase of used equipment. Currently, this credit has a five year issue average of \$62,089. For fiscal note purposes, Oversight will assume that the purchase of the used equipment will double the number of credits currently claimed. Oversight will show the loss of revenue to the state as \$60,000 (rounded down) of additional credits claimed annually.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
<u>Revenue Reduction</u> - due to used equipment purchases being allowed for the wine and grape tax credit	<u>(\$60,000)</u>	<u>(\$60,000)</u>	<u>(\$60,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$60,000)</u>	<u>(\$60,000)</u>	<u>(\$60,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that produce wine or grow grapes may be impacted by the changes.

FISCAL DESCRIPTION

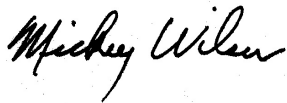
This bill allows the tax credit for wine production to also be used for the purchase of used equipment as well as for new equipment. For the taxable years beginning on or after August 28, 2015, the bill specifies that the total amount of tax credits allowed for wine production cannot exceed \$1,000,000 annually.

FISCAL DESCRIPTION (continued)

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's Division of Budget and Planning
Department of Revenue
Department of Economic Development



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March 9, 2015

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March 9, 2015