

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5216-01
Bill No.: HB 1499
Subject: Tax Credits; Agriculture and Animals
Type: Original
Date: February 5, 2014

Bill Summary: This proposal modifies the grape grower and wine producer tax credit program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal would not fiscally impact BAP. This proposal caps the Wine Producers and Grape Growers tax credit at \$200,000 annually. This should not result in savings to the state, as the three-year average amount authorized for this program is \$75,000. However, this proposal also broadens the type of equipment purchases that qualify for the tax credit to include used equipment, whereas it currently only includes new equipment. This could result in additional cost to the state of \$0 to (\$125,000).

Officials at the **Department of Economic Development (DED)** assume this proposal modifies the wine and grape tax credit to include a tax credit for the purchase of used equipment. The tax credit is in the amount of 25% of the purchase price for all new and used equipment purchased for the purpose of growing or the production of wine in the state. This proposal also places a \$200,000 cap on this program. Over the past three years authorizations have been in FY 2011 - \$90,014, in FY 2012 - \$104,522 and in FY 2013 - \$27,746. DED assumes a negative impact ranging from \$0 - \$200,000.

Officials at the **Department of Revenue** assume there is no fiscal impact from this proposal; however, this proposal will reduce revenues.

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

	FY 2011	FY 2012	FY 2013
Certificates Issued (#)	17	14	9
Projects (#)	17	15	10
Amount Authorized	\$90,014	\$111,568	\$22,768
Amount Issued	\$90,014	\$104,522	\$27,746
Amount Redeemed	\$29,411	\$61,598	\$94,186

Oversight assumes this proposal places an annual cap of \$200,000 on this tax credit. Previously this credit did not have a cap. Since the new cap is larger than the annual amount currently issued or redeemed, Oversight assumes placing this new cap would not have a fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<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.

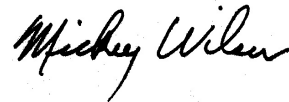
FISCAL DESCRIPTION

The proposed legislation appears to have no direct fiscal impact.

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 Economic Development
Department of Revenue
Office of Administration
Division of Budget and Planning



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February 5, 2014

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February 5, 2014