

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5330-01
Bill No.: HB 1799
Subject: Tax Credits; Alcohol; Agriculture
Type: Original
Date: December 30, 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 2017	FY 2018	FY 2019
General Revenue	(\$54,000)	(\$54,000)	(\$54,000)
Total Estimated Net Effect on General Revenue	(\$54,000)	(\$54,000)	(\$54,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning** assume the Wine and Grape tax credits could be authorized for used equipment and materials under this legislation. A \$1,000,000 cap is also place on the tax credit program in this proposal. Since FY13, the average annual issuance of Wine and Grape tax credits has been \$23,860, and the average redemption has been \$19,142. This proposal may increase authorizations and redemptions under this program beyond the current averages up to \$980,858 if additional grape growers and wine producers apply.

These tax credits may offset Tax Year 2016 liabilities; therefore, general and total state revenues may be reduced as early as FY 2017.

Officials at the **Department of Economic Development** assume §135.700.1 now allows a grape grower/wine producer to apply to the Department for a tax credit for the cost of "used" equipment. The current legislation is limited to new equipment. §135.700.2 limits the aggregate amount of tax credits under section 1 to \$1,000,000 annually.

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

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 2013	FY 2014	FY 2015
Certificates Issued (#)	9	12	8
Amount Issued	\$27,746	\$34,078	\$14,756
Amount Redeemed	\$15,301	\$26,597	\$15,527

Oversight assumes this proposal places an annual cap of \$1,000,000 on this tax credit. Previously this credit did not have a cap. Since the average annually amount of credits issued is already under the cap, Oversight assumes placing this new cap on the program 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 \$54,223. For fiscal note purposes, Oversight will assume that the purchase of used equipment will double the number

ASSUMPTION (continued)

of credits currently claimed. Oversight will show the loss of revenue to the state as \$54,000 (rounded down) of additional credits claimed annually.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Revenue Reduction</u> - due to used equipment purchases being allowed for the wine and grape tax credit	<u>(\$54,000)</u>	<u>(\$54,000)</u>	<u>(\$54,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$54,000)</u>	<u>(\$54,000)</u>	<u>(\$54,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<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.

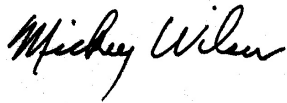
FISCAL DESCRIPTION

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

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



Mickey Wilson, CPA
Director
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Ross Strobe
Assistant Director
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