COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.:	1013-01
Bill No.:	HB 486
Subject:	Tax Incentives; Economic Development; Tax Credits; Funerals and Funeral Directors
Type:	Original
Date:	February 9, 2017

Bill Summary: This proposal authorizes a tax credit for the establishment of a grocery store in a food desert.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	($108,810)	$0 or (Up to $25,000,000)	$0 or (Up to $25,000,000)
Total Estimated Net Effect on General Revenue	**($108,810)**	**$0 or (Up to $25,000,000)**	**$0 or (Up to $25,000,000)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning** assume tax credits would be provided for taxpayers who establish a new location within a classified food desert within the state. Based on data published by the United States Department of Agriculture, there are 466 census tracts within Missouri that are classified as low-income and have a population that is located at least half a mile from a full-service grocery store in urban areas or ten miles in rural areas. If these businesses were to locate in one of these tracts, the qualifying taxpayer would be able to claim tax credits against their state tax liability up to 50% of their eligible costs after the initial expenses have exceeded $1,000,000 for stores established in charter counties, counties of first classification, or a city not within a county; or $500,000 for stores located in any other county or city. There will be a $25,000,000 cap placed on the tax credit. This proposal also allows any tax credits that have been issued to be transferred, sold, or assigned.

"New location" is for real property acquired after 1/1/2018; therefore, General and Total State Revenues may be reduced as early as FY 2019. This proposal could reduce General and Total State Revenues up to $25,000,000 annually and could impact the calculation under Article X, Section 18(e).

Officials at the **Department of Economic Development** (**DED**) assume this proposal allows a taxpayer to claim a tax credit equal to 50% of the taxpayer's eligible expenses for establishing a full-service grocery store in a food desert. The taxpayer cannot claim more than $2.5 million in a tax year but may carry over the credit for 3 years until the full credit has been claimed. The total that may be authorized in a calendar year shall not exceed $25 million. This proposal sunsets six years after effective date of January 1, 2018.

This creates a new tax credit program for DED to administer so they will need to hire one Economic Development Incentive Specialist I ($53,136). The program is capped at $25million per year beginning FY 2019.

Oversight notes that each taxpayer claiming the credit could received up to $2,500,000 in credits. With an annual cap of $25,000,000 it would only take 10 taxpayers to claim the entire credit. Oversight assumes that due to the limited number of taxpayers that could get this credit, DED can absorb the work of this credit with existing resources.

ASSUMPTION (continued)

Oversight notes this proposal requires that any agreement of benefits include a clawback provision that requires all benefits be paid back to the state should the grocery store not be completed with five years or remain open at least ten years. Oversight is unable to determine in the future if this clawback provision would have an impact on the state. Oversight will not show an impact from this portion of the proposal.

Officials at the **Department of Revenue** (**DOR**) assume the Integrated Tax System would need additional programming estimated at $108,810. The Personal Tax Division would require one Revenue Processing Technician I ($27,185) for every 6,000 credits claimed. The Corporate Tax Division would require three Revenue Processing Technicians I ($27,185) for the tax credit redemptions, credit transfers, compliance mailings and correspondence.

Oversight assumes that DOR can absorb this tax credit with existing resources. Should the number of credits reach the threshold to justify additional FTE, DOR could request those FTE through the appropriation process.

Oversight notes the tax credit can only be received by facilities that acquire property after January 1, 2018. Given the time necessary to construct the required facility and receive DED authorization, Oversight will show the fiscal impact beginning in FY 2019. Oversight will show the impact as $0 (no grocery stores created) to the annual cap of $25,000,000.

Officials at the **Joint Committee on Administrative Rules** assume there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS 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 the SOS for Administrative Rules is less than $2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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.

FISCAL IMPACT - State Government	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE			
Revenue Reduction - creation of the food desert tax credit §135.1620	$0	$0 or (Up to $25,000,000)	$0 or (Up to $25,000,000)
Cost - DOR one-time computer upgrades	($108,810)	$0	$0
ESTIMATED NET EFFECT ON GENERAL REVENUE	**($108,810)**	**$0 or (Up to $25,000,000)**	**$0 or (Up to $25,000,000)**

FISCAL IMPACT - Local Government	FY 2018 (10 Mo.)	FY 2019	FY 2020
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill authorizes an income tax credit for full-service grocery stores located in a food desert. A "food desert" is defined as a census tract that has a poverty rate of at least 20% or a median family income of less than 80% of the statewide average featuring at least 500 people or 33% of the population are located at least 1/2 mile from a full-service grocery store in urban areas or 10 miles in rural areas.

A taxpayer is allowed to claim a tax credit amount equal to 50% of the amount incurred in the construction or development of property for the purpose of establishing a full-service grocery store by the taxpayer after initial expenses of $1 million if the grocery store is established in St. Louis city and $500,000 if established elsewhere. A taxpayer cannot be allowed to claim a tax credit in excess of $2.5 million per taxable year. The credit is non-refundable, but may be carried over to the next three years.

The credits can be transferred, sold, or assigned. The total amount of credits authorized cannot exceed $25 million in any calendar year.

FISCAL DESCRIPTION (continued)

A taxpayer must repay the credits if he or she fails to complete construction of a full-service grocery store within five years or fails to operate a full-service grocery store at the same new location for at least ten consecutive years.

The provisions of the bill will expire six years after the effective date.

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
Joint Committee on Administrative Rules
Office of Administration
Division of Budget and Planning
Office of the Secretary of State

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