

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4847-01
Bill No.: SB 709
Subject: Agriculture and Animals; Tax Credits
Type: Original
Date: December 18, 2015

Bill Summary: This proposal allows the Wine and Grape Tax Credit to be used for used equipment and caps the credit at one million dollars annually.

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 **Department of Economic Development (DED)** assume §135.700.1 now allows a grape grower/wine producer to apply to DED 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 **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 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 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

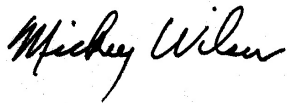
This act allows used equipment to qualify for the Wine and Grape Tax credit. The tax credit is also capped at \$1 million annually beginning August 28, 2016.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

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