

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5694-01  
Bill No.: HB 1628  
Subject: Tax Credits  
Type: Original  
Date: February 12, 2014

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Bill Summary: This proposal modifies the wine and grape tax credit program to include distilleries and micro breweries.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0 to (\$3,894,155)	\$0 to (\$3,894,155)	\$0 to (\$3,894,155)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0 to (\$3,894,155)</b>	<b>\$0 to (\$3,894,155)</b>	<b>\$0 to (\$3,894,155)</b>

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

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

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

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

☐ 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).

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

## FISCAL ANALYSIS

### ASSUMPTION

This proposal makes changes to the wine and grape tax credit in §135.700. The proposal opens the credit to distilleries and micro breweries. It will also allow for the purchase of used equipment eligible for a 25% tax credit of the purchase price. The proposal places a \$4 million dollar cap on the program and places an annual \$100,000 limit on tax credits per applicant. The tax credit is also non-refundable.

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal would not fiscally impact BAP. The three-year average amount authorized for this program is \$75,000. Therefore, this could result in a reduction to General and Total State Revenues by \$0 to (\$3.925 million).

Officials at the **Department of Economic Development** assume a negative fiscal impact of \$0 to \$4,000,000 for this proposal.

Officials at the **Department of Revenue (DOR)** assume the Personal Tax Division could have an increased number of redemptions and therefore they would need one Revenue Processing Technician I for the additional tax redemptions. The Corporate Tax Division assumes they would need one Revenue Processing Technician I for the additional redemptions.

**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 \$4,000,000 on this tax credit. Previously this credit did not have a cap. Oversight assumes placing a cap on this credit would not have a fiscal impact. However, this proposal expands the list of taxpayers that can claim the credit to include distilleries and micro breweries. Currently the five year issue average of this credit is \$105,845. This expansion could allow more taxpayers to claim the credit. Oversight will show the loss of revenue to the state as \$0 (no additional credits are issued) to the difference between the current issue average and the new cap ( $\$4,000,000 - \$105,845 = \$3,894,155$ ).

JH:LR:OD

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE</b>			
<u>Revenue Reduction</u> - expansion of the wine and grape tax credit	\$0 to <u>(\$3,894,155)</u>	\$0 to <u>(\$3,894,155)</u>	\$0 to <u>(\$3,894,155)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0 to <u>(\$3,894,155)</u></b>	<b>\$0 to <u>(\$3,894,155)</u></b>	<b>\$0 to <u>(\$3,894,155)</u></b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2015 (10 Mo.)	 FY 2016	 FY 2017
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

Small businesses that qualify for the tax credit may be positively impacted.

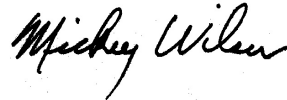
FISCAL DESCRIPTION

This bill expands the wine and grape producers tax credit to include distillers and micro breweries and limits the total of all tax credits to \$4 million per tax year and the total for each taxpayer to \$100,000 per tax year.

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

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
February 12, 2014

Ross Strobe  
Assistant Director  
February 12, 2014