

Fiscal Estimate Narratives

DOR 6/3/2015

LRB Number	15-2335/1	Introduction Number	AB-0244	Estimate Type	Original
Description Income and franchise tax credit for grocery stores in underserved areas and requiring the exercise of rule-making authority					

Assumptions Used in Arriving at Fiscal Estimate

The bill would create an income and franchise tax credit for supermarkets that operate in areas of this state where the median household income is not more than 60 percent of the statewide median household income and where the number of supermarkets is less than the average number of supermarkets in other areas of the state. A taxpayer may claim a credit equal to 10 percent of the taxpayer's tax liability from income derived from such supermarkets. A supermarket is defined as a supermarket in the 1997 North American Industry Classification System (NAICS) of 1997 under industry number 445110.

Fiscal Estimate

A definitive fiscal effect of the bill cannot be determined, as publicly-available data are not aggregated in ways similar to the provisions of the bill related to qualifying for the credit. The following information is included in order to provide context, and is not intended to be a definitive fiscal estimate.

According to data from the US Department of Agriculture (USDA), in 2011, 7.8% of Wisconsin's census tracts (110 out of a total of 1,409) qualified as a food desert. Unlike under the bill, where a qualifying census tract is defined as having a median household income not more than 60 percent of the statewide median household income and where the average number of supermarkets is less than the average in other census tracts, the USDA defines a census tract as a food desert if it is low income (20% or greater poverty rate for urban census tracts, or less than 80% of median family income for non-urban tracts) and has low access to health food (33% of population with low access or a minimum of 500 people). In addition, in tax year 2012, the net tax liability of corporations that used a NAICS code of 445110 (Super Markets and Other Grocery (except Convenience) Stores) was \$5.5 million. Assuming a similar percentage of tax liability would be eligible as the USDA percentage of census tracts that are food deserts, the bill could result in claims for the credit of approximately \$42,900 annually (\$5.5 million x 7.8% x 10%).

If the bill is amended so that partners, members of a tax-option corporation, and owners of an LLC may claim the credit based on their share of the income of a qualifying supermarket that files as a partnership, tax-option corporation, or an LLC that files as a partnership, the bill could result in claims for the credit of approximately \$117,000 annually (\$15.0 million tax from all taxpayers with a NAICS of 451110 x 7.8% x 10%).

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Income and franchise tax credit for grocery stores in underserved areas and requiring the exercise of rule-making authority			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$		\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev		Decreased Rev
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>		<u>Local</u>
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$See Text		\$
Agency/Prepared By		Authorized Signature	
DOR/ Michael Oakleaf (608) 261-5173		Michael Wagner (608) 266-6785	
		Date	
		6/3/2015	