DEPARTMENT OF TAXATION
2011 Fiscal Impact Statement

1. **Patron** Jill Holtzman Vogel

2. **Bill Number** SB 1264
   House of Origin:
   X **Introduced**
   _____ **Substitute**
   _____ **Engrossed**

   Second House:
   _____ **In Committee**
   _____ **Substitute**
   _____ **Enrolled**

3. **Committee** Senate Finance

4. **Title** Income tax; farm wineries and vineyards tax credit

5. **Summary/Purpose:**

   TAX understands that the Patron will offer a substitute. This fiscal impact statement is drafted to that substitute.

   This bill would create an individual and corporate income tax credit for Virginia farm wineries and vineyards equal to 25 percent of the cost of certain wine equipment and materials.

   The total amount of tax credits available for a calendar year would not be permitted to exceed $250,000.

   This bill would be effective for taxable years beginning on and after January 1, 2011.

   This is an Executive bill.

6. **Budget amendment necessary:** No.

7. **No Fiscal Impact** (See Line 8.)

8. **Fiscal implications:**

   <u>Administrative Costs</u>

   TAX considers implementation of this bill as routine, and does not require additional funding.

   <u>Revenue Impact</u>

   This bill would have no revenue impact because the revenue impact of this bill is assumed in the introduced Executive Budget.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Virginia Law

Virginia Code § 4.1-207 states that farm winery licenses authorize the licensee to manufacture wine containing 18 percent or less of alcohol by volume and to sell, deliver or ship the wine in closed containers, to the Virginia Alcoholic Beverage Control Board, persons licensed to sell the wine at wholesale for the purpose of resale, or persons outside Virginia. In addition, the licensee may acquire and receive deliveries and shipments of wine and sell and deliver or ship this wine and store wine in bonded warehouses located on or off the licensed premises upon permits issued by the Virginia Alcoholic Beverage Control Board.

Wine Tax Credits in Other States

Only one other state (Missouri) has a related tax credit for wineries. Missouri currently allows a tax credit for wine and grape production equal to 25% of the purchase price of all new equipment and materials used directly in producing wine or growing grapes within Missouri. The wine producer must apply to the Missouri Department of Economic Development specifying the total amount of qualified expenditures for the calendar year. The credit is limited to five years.

Proposed Legislation

This bill would create an individual and corporate income tax credit for Virginia farm wineries and vineyards in an amount equal to 25 percent of the cost of all qualified expenditures made in connection with the establishment of new Virginia farm wineries and vineyards and capital improvements made to existing Virginia farm wineries and vineyards.

"Qualified capital expenditures" would include all expenditures made by the taxpayer for the purchase and installation of barrels, bins, bottling equipment, capsuling equipment, corkers, chemicals, crushers and destemmers, dirt, fermenters, fertilizer and soil amendments, filters, grape harvesters, grape plants, hoses, irrifation equipment, labeling equipment, poles, posts, presses, pumps, refractometers, refrigeration equipment, seeders, tanks, tractors, weeding and spraying equipment, and wire.

A "Virginia farm winery" would mean an establishment located in the Commonwealth that is licensed as a Virginia farm winery pursuant to § 4.1-207.

A "Virginia vineyard" would mean agricultural lands located in the Commonwealth consisting of at least one contiguous acre dedicated to the growing of grapes that are used or are intended to be used in the production of wine by a Virginia farm winery as well as any plants or other improvements thereon.

The total amount of tax credits available for a calendar year would not be permitted to exceed $250,000. If applications for this credit exceed $250,000, TAX would allocate the credits on a pro rata basis.

This bill would allow any credit amounts that exceed a taxpayer's liability to be carried forward for ten years.

This bill would require that any amount of credit attributable to a partnership, S-corporation, or LLC be allocated to the individual partners, shareholders, or members in proportion to their ownership or interest in the business entity.

This bill would not allowed taxpayers to claim both this credit and a federal deduction for the same expenses under IRC § 179.

This bill would be effective for taxable years beginning on and after January 1, 2011.

Similar Legislation

House Bill 1837 identical to this bill.

cc : Secretary of Finance

Date: 1/24/2011 KLC
SB1264F161