DEPARTMENT OF TAXATION
2012 Fiscal Impact Statement

1. Patron T. Scott Garrett

2. Bill Number HB 1194

House of Origin:
__X__ **Introduced**
_____ **Substitute**
_____ **Engrossed**

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

3. Committee House Finance

4. Title Farm wineries and vineyards tax credit

5. Summary/Purpose:

The Department understands that the Patron will offer amendments to this bill. This fiscal impact statement is drafted based on the bill as amended.

This bill would increase the annual cap for the Farm Wineries and Vineyards Tax Credit from $250,000 to $500,000 for calendar years beginning on or after January 1, 2013.

The effective date of this bill is not specified.

This is an Executive bill.

6. Budget amendment necessary: No.

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

8. Fiscal implications:

Administrative Costs

This bill would have no revenue impact because the revenue impact of this bill is assumed in the Governor's introduced Executive Budget, the official revenue forecast, and the Executive Amendments to the introduced Executive Budget.

Revenue Impact

This bill would have no revenue impact because the revenue impact of this bill is assumed in the Governor's introduced Executive Budget and in the official revenue forecast.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: Yes.

Line 30, after total
Insert: annual

Line 30, after 2011
Insert: and 2012

Line 30, after calendar
Delete: year
Insert: years

Line 32, after January 1,
Delete: 2012
Insert: 2013

11. Other comments:

Background

The Farm Wineries and Vineyards Tax Credit is an individual and corporate income tax credit equal to 25 percent of the cost of all qualified capital 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. Any credits that exceed a taxpayer’s liability may be carried forward for ten years. Taxpayers cannot claim both this credit and a federal deduction for the same expenses under IRC § 179.

“Qualified capital expenditures” 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, or other recognized fermentation devices, fertilizer and soil amendments, filters, grape harvesters, grape plants, hoses, irrigation equipment, labeling equipment, poles, posts, presses, pumps, refractometers, refrigeration equipment, seeders, tanks, tractors, vats, weeding and spraying equipment, and wire.

A “Virginia farm winery” is defined as an establishment located in the Commonwealth that is licensed as a Virginia farm winery pursuant to § 4.1-207.

A “Virginia vineyard” is defined as 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 cannot currently exceed $250,000. If applications for this credit exceed $250,000, the Department must allocate the credits on a pro rata basis.

Proposal

This bill would increase the annual cap for the Farm Wineries and Vineyards Tax Credit from $250,000 to $500,000 for calendar years beginning on or after January 1, 2013. The annual cap would remain at $250,000 for the 2011 and 2012 calendar years. If applications for the credit exceed the maximum allowed for any calendar year, the Department would continue to allocate credits on a pro rata basis.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/26/2012 KLC
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