DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

February 6, 2025

Honorable Sandra Scott
State Representative
611-A Coverdell Legislative Office Building
Atlanta, GA 30334

SUBJECT: Fiscal Note
House Bill (LC 61 0015)

Dear Representative Scott:

The bill would create a state income tax credit based on the cost to place in service a location that sells fruits and vegetables. The retailor must be a convenience store, corner store, farmers market, grocery store or small food retailor located in a census tract certified as a Less Developed Area (LDA) of the state, as certified by the Department of Community Affairs (DCA). The tax credit would be equal to 15 percent of the expense incurred to place in service the new eligible healthy food retailer. Qualified expenses include construction, renovation, purchase, or lease of a property. The tax credit is only allowed against the taxable year in which the new retailer was placed in service. It cannot exceed the taxpayer's tax liability in that year, but unused credit amounts can be carried forward for up to five years.

Impact on State Revenue
Georgia State University's Fiscal Research Center (FRC) estimated that the bill would reduce revenue as shown in **Table 1**. The appendix provides details of the analysis.

Table 1. Estimated State Revenue Effects of LC 61 0015

($ *millions*)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
High Estimate	($9.2)	($24.0)	($33.2)	($36.9)	($36.9)
Low Estimate	($6.0)	($15.7)	($21.8)	($24.2)	($24.2)

Impact on State Expenditures
The Department of Revenue (DOR) estimated that the bill could be implement with current resources. However, it noted that information system changes would require 12 weeks, which equates to approximately $146,000 in staff time.

Respectfully,

Greg S. Griffin
State Auditor

Richard Dunn, Director
Office of Planning and Budget

GSG/RD/mt

Analysis by the Fiscal Research Center

LC 61 0015 proposes to create a new state income tax credit based on the expenses incurred to place in service a new health food retailer on or after January 1, 2026. The types of retailors that qualify are:

- Convenience store: defined as a business that is engaged primarily in the retail sale or offering for sale of convenience goods, or convenience goods and gasoline, and has less than 10,000 square feet of retail floor space.
- Corner store: defined as a retail establishment that sells or offers for sale food and other nonalcoholic items and has less than 5,000 square feet of selling area.
- Farmers market: defined as a place where farmers or producers may sell, bring, or send to sell, exhibit, or transship agricultural products; or where buyers may come to buy, inspect, or transport agricultural products; or where such products may be processed or stored for sale, either at wholesale or retail.
- Grocery store: defined as a retail establishment whose primary business is selling or offering for sale grocery products; with at least 5,000 square feet of selling area that is used for a general line of food and nonfood grocery products; and meets the eligibility requirements for the federal Supplemental Nutrition Assistance Program (SNAP).
- Small food retailer: defined as a small business that sells or offers for sale unprepared food products and is not a grocery store.

To qualify for credits for expenses incurred, such retailors must also be located in a census tract that has been certified as a Less Developed Area (LDA) by DCA in accordance with O.C.G.A. § 48-7-40.1. Finally, for expenses to qualify, they must have been incurred for the purpose of placing in service a location that sells fresh fruits or vegetables. That is assumed to mean that investments made by an eligible retailer, at a location within an LDA, that is already selling fresh fruits and vegetables prior to January 1, 2026, do not earn credits. Credits are equal to 15 percent of the qualified expenses.

The U.S. Department of Agriculture (USDA) maintains data on when SNAP-accepting retail locations open and close. For a retailer to qualify to accept SNAP as payment, they must sell certain staple foods, including fruits and vegetables. The opening date for a new SNAP location is treated, for the purpose of this analysis, as the placing in service of a new health food retailer. These counts intentionally eliminate new SNAP locations where another SNAP location immediately preceded it at the same location. These are assumed to be food retailers changing ownership. If a change in ownership of an existing food retailer would qualify for credits under this bill, the fiscal impacts estimated here would be larger. These openings were geocoded to match 2025 LDA-certified census tracts only. Table 2 summarizes the food retailor openings for 2018–23.

Table 2. LDA Food-Selling Retailor Openings, 2018–23

	2018	2019	2020	2021	2022	2023
Convenience Store	118	172	204	190	172	219
Corner Store	25	25	25	28	22	26
Farmers Market	1	1	7	3	2	3
Grocery Store	18	23	26	24	16	19
Small Food Retailer	18	18	13	33	9	18

The estimated costs incurred to place new healthy food retailers in service between 2026 and 2030 are based on the following data and assumptions:

- With no clear observable trend in openings in recent years, store opening numbers 5 percent above and below the 2018–23 average serve as the high-low estimates for each location type between 2023–30.

- Construction and property acquisition costs are assumed to be the primary expense generating credits because investment in locations already selling food does not qualify. Data from RSMeans, a construction cost estimation service, indicates that the total cost to construct a convenience store is $135 per square foot and $151 for a supermarket. Other online sources were consistent with this finding. The low-high estimates are assumed to be 5 percent above and below the estimates sourced through our online search. For convenience and corner stores, the low-high estimates for per foot costs to place in service is $121–$134 per square foot and $138–$152 for grocery and small food retail stores.
- Sizes of facilities very. Data from a commercial real estate rental cite, LoopNet, indicated that the average grocery store in Geogia is approximately 40,000 square feet and a convenience store is 2,500 square feet. Based on the average sizes sourced online, low-high estimates for location sizes are as follows: convenience stores 2,200–2,700 sqft; corner stores 3,750–4,250 sqft; grocery stores 27,500–32,500 sqft; and for small food retailers 12,500–15,500 sqft.
- Farmers markets are less capital intensive to establish and typically operate as multiple farmers selling their products in an open market. According to PolicyLink, an average first-year budget for a farmers market is $34,000. Accounting for the rural nature of many LDAs and the inclusion of labor in this estimate, this analysis assumes a low estimate for the average capital costs incurred to open a farmers market of $12,000 and a high of $18,000.

Based on these data and assumptions, the estimated total costs incurred to place in service new healthy food retailers in LDA certified tracts are in Table 3.

Table 3. High-Low Estimates for Costs Incurred to Place in Service New Healthy Food Retailers in 2025 LDA Certified Census Tracts, TY 2026–30

($ *millions*)	TY 2026	TY 2027	TY 2028	TY 2029	TY 2030
High Estimates					
Convenience Store	$72.65	$72.65	$72.65	$72.65	$72.65
Corner Store	$14.79	$14.79	$14.79	$14.79	$14.79
Farmers Market	$0.05	$0.05	$0.05	$0.05	$0.05
Grocery Store	$113.75	$113.75	$113.75	$113.75	$113.75
Small Food Retailer	$44.84	$44.84	$44.84	$44.84	$44.84
Low Estimates					
Convenience Store	$45.30	$45.30	$45.30	$45.30	$45.30
Corner Store	$10.90	$10.90	$10.90	$10.90	$10.90
Farmers Market	$0.04	$0.04	$0.04	$0.04	$0.04
Grocery Store	$75.73	$75.73	$75.73	$75.73	$75.73
Convenience Store	$29.27	$29.27	$29.27	$29.27	$29.27

Under the proposal, credit amounts cannot exceed a taxpayer's tax liability but can be carried forward for up to five years. The estimate assumes that, on average, firms will utilize 50 percent of their credit generated in the first year after the new healthy food retailer is placed in service, 30 percent in the following year and the remaining 20 percent in the third year following the investment. Table 4 summarizes the low and high estimates for credits utilized in TY 2026–30.

Table 4. Low-High Estimated Credits Utilized in TY 2026–30

($ *millions*)	TY 2026	TY 2028	TY 2029	TY 2030	TY 2031
High Estimate	$18.5	$29.5	$36.9	$36.9	$36.9
Low Estimate	$12.1	$19.3	$24.2	$24.2	$24.2

For the fiscal impacts in Table 1, firms are assumed to change their estimated tax payments in anticipation of the credit, thus a 50-50 tax year to fiscal year split is assumed to apply.