

# REPORT OF THE CHIEF LEGISLATIVE ANALYST

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DATE: May 13, 2015

TO: Honorable Members of the Rules, Elections, and Intergovernmental Relations  
Committee

FROM: Sharon M. Tso *ST*  
Chief Legislative Analyst

Council File No: 15-0002-S36  
Assignment No: 15-04-0304

SUBJECT: Resolution (Parks-Cedillo-Buscaino) to support H.R. 1433 (Cohen) relative to the  
establishment of supermarkets.

CLA RECOMMENDATION: Adopt the attached Resolution to include in the City's 2015-2016 Federal Legislative Program, SUPPORT for H.R. 1433 which would amend the Internal Revenue Code of 1986 to provide tax incentives for the establishment of supermarkets in underserved areas.

## SUMMARY

The subject Resolution (Parks-Cedillo-Buscaino) introduced on April 14, 2015 requests support of H.R. 1433 which would amend the Internal Revenue Code of 1986 to provide tax incentives for the establishment of supermarkets in underserved areas. The Resolution notes that numerous studies related to healthy food access have shown the absence of supermarkets in underserved areas of the City. The Resolution further notes that underserved areas of the City without access to healthy foods may experience higher numbers of obesity, diabetes and other cardiovascular diseases. The Resolution indicates that supermarkets that offer fresh fruits and vegetables should be encouraged to locate to underserved areas of the City to provide its residents with healthier options. The Resolution states that on March 8, 2015, Congressman Steven Cohen introduced H.R. 1433, the Supermarket Tax Credit for Underserved Areas Act which proposes the following incentives to encourage the establishment of new supermarkets in underserved areas: 1) Increase the Rehabilitation Credit; 2) Increase the Work Opportunity Tax Credit; and, 3) Provide a credit for sales of locally grown fruits and vegetables. The Resolution is consistent with current and prior City efforts to encourage healthy food options in underserved areas of the City. The Resolution therefore recommends that the City support H.R. 1433.

## BACKGROUND

On March 8, 2015, Congressman Steve Cohen introduced H.R. 1433, the Supermarket Tax Credit for Underserved Areas Act, which would amend the Internal Revenue Code of 1986 to provide tax incentives for the establishment of supermarkets in underserved areas. A supermarket is defined as a building between 12,000 square feet and 80,000 square feet, with a minimum seven percent of the square footage used for selling produce, meat, fish, deli and dairy items, and exceeds \$2,000,000 in gross sales of items sold. The proposed tax credits are as follows:

### 1. Rehabilitation Tax Credit

The Rehabilitation Tax Credit is a federal incentive provided to promote urban and rural revitalization through private investment in restoration of historic buildings. The current credit allows the owner of a certified historic structure to receive federal income tax credit equal to 20 percent of the amount spent on qualified rehabilitation costs. There is also a 10 percent credit for older, non-historic buildings. Since enacted in 1976, the credit has been widely used as a

tool for transforming vacant and underutilized buildings into safe and affordable places to live and do business. H.R. 1433 provides increases to 24 and 12 percent, respectively, if such buildings are supermarkets in underserved areas after December 31, 2015 and before January 1, 2018.

The City offers real property tax credits for owners of certain qualified historic properties (Ordinance No. 171413). This credit, associated with the preservation of historic properties, could complement a federal tax credit targeting the establishment of supermarkets in historic structures.

2. Work Opportunity Tax Credit

The Work Opportunity Tax Credit (WOTC) is a federal tax credit incentive provided to private-sector businesses when hiring individuals from target groups who have consistently faced significant barriers in the area of employment. The main objective of this program is to enable the targeted employees to gradually move from economic dependency into self-sufficiency as they earn a steady income and become contributing taxpayers, while the participating employers are compensated by a reduction to their tax liability. Some of the target groups include recipients of Temporary Assistance to Needy Families (TANF), Supplemental Security Income (SSI), and Supplemental Nutrition Assistance Program (SNAP). Currently the credit can range between \$2,400 and \$9,600 per year depending on target group. H.R. 1433 proposes to increase the amounts for targeted populations by \$1,000 for a maximum of \$10,600.

3. Credit for the Sale of Locally Grown Fresh Fruits and Vegetables

H.R. 1433 would provide an additional credit for the establishment of new supermarkets in underserved communities that sell locally grown fresh fruits and vegetables. The amount of the credit would be 15 percent of gross receipts.

The City supports legislation that promotes healthier food options, particularly in disadvantaged communities. H.R. 1433 encourages the establishment of supermarkets in underserved areas to promote healthier eating habits. Additionally, H.R. 1433 compensates employers who hire individuals who pertain to any of the target groups identified by the federal government as facing significant barriers to employment. The City Council has supported the same bill under the previous Congress. It is therefore recommended that the City support H.R. 1433.

DEPARTMENTS NOTIFIED

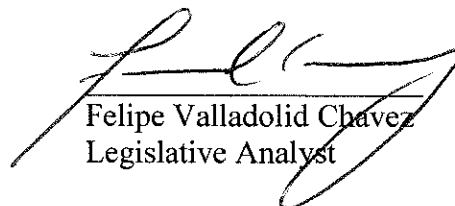
Office of Finance

Economic and Workforce Development Department

BILL STATUS

March 8, 2015

Introduced and referred to the House Ways and Means Committee.

  
Felipe Valladolid Chavez  
Legislative Analyst

SMT: fvc

Attachment: Resolution (Parks-Cedillo-Buscaino)

# RESOLUTION

WHEREAS, any official position of the City of Los Angeles, with respect to legislation, rules, regulations or policies proposed to or pending before a local, state, or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, numerous studies related to healthy food access have shown the absence of supermarkets in underserved areas of the City; and

WHEREAS, underserved areas of the City without access to healthy foods may experience higher numbers of obesity, diabetes and other cardiovascular diseases; and

WHEREAS, supermarkets that offer fresh fruits and vegetables should be encouraged to locate to underserved areas of the City to provide its residents with healthier options; and

WHEREAS, on March 8, 2015, Congressman Steve Cohen introduced H.R. 1433, *The Supermarket Tax Credit for Underserved Areas Act*; and

WHEREAS, H.R. 1433 proposes the following incentives to encourage the establishment of new supermarkets in underserved areas: 1) Increase the Rehabilitation Credit; 2) Increase the Work Opportunity Tax Credit; and, 3) Provide a credit for sales of locally grown fruits and vegetables; and

WHEREAS, current federal law provides 20 percent income tax credit for the rehabilitation of historic, income-producing buildings that are certified as historic structures and a 10 percent income tax credit for the rehabilitation of non-historic buildings placed in service before 1936 and meet specified criteria; and

WHEREAS, H.R. 1433 proposes to increase the credits to 24 and 12 percent, respectively, if such buildings are supermarkets established in an underserved area after December 31, 2015; and

WHEREAS, currently under the provisions of the Work Opportunity Tax Credit, qualifying employers are eligible to receive a tax credit ranging from \$2,400 to \$9,600 for hiring employees from specified target groups; and

WHEREAS, H.R. 1433 proposes to increase the Work Opportunity Tax Credit by \$1,000 for employers who hire individuals from a specified target group and operate a supermarket in an underserved area; and


WHEREAS, H.R. 1433 also proposes a new credit of 15 percent of the gross receipts from the retail sale of locally grown fresh fruit and vegetables; and

WHEREAS, the intent of H.R. 1433 is consistent with current and prior City efforts to encourage healthy food options in underserved areas of the City;


NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by adoption of this Resolution, the City of Los Angeles hereby includes in its 2015-2016 Federal Legislative Program SUPPORT of H.R. 1433 which would amend the Internal Revenue Code of 1986 to provide tax incentives for the establishment of supermarkets in underserved areas.

fvc 

PRESENTED BY

  
BERNARD C. PARKS  
Councilmember, 8<sup>th</sup> District

SECONDED BY



APR 14 2015