

# Tax credit for grocery stores in food deserts



## Executive Summary

The U.S. Department of Agriculture (USDA) defines food deserts as areas where access to affordable and nutritious food is limited. Household income and distance from grocery stores typically influence whether an area is designated as a food desert, along with other considerations, including access to personal/public transportation. Living in food deserts impacts food security, food affordability, federal nutrition program participation, health outcomes, economic and social attainments, real estate prices and more.<sup>12,13</sup>

There are several bills filed this year that provide tax credits in order to increase availability of nutritious & healthy foods within the food desert areas of Missouri. [HB720](#) and [SB82](#) authorize tax credits for *urban farms* located in food deserts; while [HB596](#) and [HB1412](#) authorize tax credits for *reestablishing* a grocery store in food deserts. [SB188](#) authorizes a tax credit for full-service grocery stores and is unique from the other 4 bills, because it *does not restrict the location* (urban vs. rural), as long as the grocery store is established in a food desert in Missouri, and it refers to tax credits on expenses incurred from the *construction or establishment* of a grocery store in a food desert.<sup>1</sup>

## Highlights

- Living in a food desert contributes to the lack of access to healthy foods and can negatively affect health.<sup>2,3</sup>
- Food deserts tend to be inhabited by low-income, minoritized residents with reduced mobility; this makes them a less attractive market for large supermarket chains.<sup>4</sup>
- Financing the construction of new supermarkets and the expansion of existing stores is one of the primary strategies to increase access to sources of healthy food in underserved communities (see North Dakota, Iowa and Idaho).<sup>5</sup>

## Limitations

- Although several studies found a correlation between limited food access and lower intake of nutritious foods, some studies indicate that easy access to all food, rather than

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lack of access to specific healthy foods, may be a more important factor linked to increasing obesity rates.<sup>4</sup>

## **Research Background**

The U.S. Department of Agriculture (USDA) defines food deserts as areas where access to affordable and nutritious food is limited. These are determined by the household distance from the store (i.e., more than 1 mile in urban, or 10 miles in rural areas), by individual-level resources available (i.e., income, or vehicle), or by neighborhood-level resources (i.e., public transportation).<sup>6</sup>

### **Low-income neighborhoods & low-access census tracts → food deserts**

The USDA uses census-tract-level characteristics to determine food access in neighborhoods, such as whether the tract has a high percentage of households far from supermarkets<sup>1</sup> and without vehicles, individuals with low income, etc. As determined by the Department of Treasury's New Markets Tax Credit (NMTC) program, a food desert is a low-income census tract where a substantial number or share of residents has low access to a supermarket or large grocery store. A census tract is considered to have low access if a significant number or share of individuals in the tract is far from a supermarket.<sup>6</sup> SB188 (2021) uses terminology that is consistent with both USDA and Treasury definitions, combining low-income census tract and low-access census-tract when defining food deserts. The legislation aims to provide credit for areas where the poverty rate is at least 20% or a median family income of less than 80% of the statewide average *and* where at least five hundred people (33%) of the population are located at least one-half mile from a full-service grocery store in urbanized areas or at least ten miles in rural areas.<sup>1</sup>

### **Economic and racial disparities**

Since 2010, the number of low-income communities across the country has increased more than 5%. The overall increase in low-income areas raises concerns about the number of U.S.

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<sup>1</sup> Nielson TDLinX database categorizes all supermarkets, including corner stores as conventional supermarkets, as long as they are over 5,000 square feet & if they offer a full range of fresh and healthy foods.

households that live in food deserts and how economic and racial disparities may contribute to this increase.<sup>8</sup> Food deserts tend to have higher levels of poverty and higher minority populations;<sup>9</sup> approximately 30% more non-white residents face limited access to food retail compared to white residents.<sup>8</sup> Moreover, low-income families who live in food deserts have **reduced mobility**, which may make them a less attractive market for large supermarket chains or supermarkets.<sup>4</sup> Results from over 40,000 demographically representative households across the United States have shown that when consumers shop at convenience stores, prices paid for similar goods are, on average, higher than at supermarkets.<sup>4</sup> Therefore, people who live in food deserts and rely on small grocery or convenience stores not only see fewer healthy food options, but also pay higher prices for the food that they buy.

### **Food Deserts in the U.S. and in Missouri**

According to USDA's 2017 report, the number of census tracts in the U.S. that are classified as having "low access" to supermarkets has declined across the country since 2010.<sup>7</sup> Despite improvements in access, 5.6% of the US population live in low-access census tract without adequate access to healthy, affordable food.<sup>8</sup>

Food insecurity refers to the disrupted intake of food *due to lack of money or other resources*.<sup>14</sup> In 2017, 11.8% of all Americans, or 40 million people, lived in food insecure households and 15.7% of all households with children experienced food insecurity.<sup>10</sup> The costs of food insecurity are economic, social, physical and psychological. Missouri's food insecurity levels have not returned to levels before the Great Recession beginning in 2008. Over the last three years, the state has averaged 12.8% food insecurity and 4.8% of very low food security - food insecurity and hunger remain a problem (Figure 1).<sup>10</sup> Feeding America's 2017 report estimated that approximately 865,000 Missourians experienced food insecurity, including more than 214,000 children.<sup>10</sup> Similar to the national demographics of food insecurity, a study found that convenience stores in Kansas City are located in the most deprived areas of the city, where ethnic minorities are highly concentrated.<sup>5</sup>

## Individuals Food Insecure and Food Insecure with Hunger in Missouri, 1997-2017

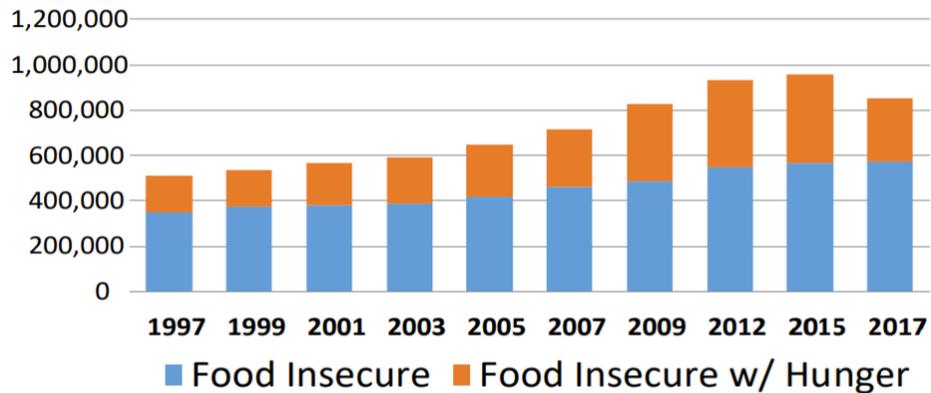


Figure 1. Missouri Hunger Atlas, Interdisciplinary Center for Food Security, MU, 2019<sup>10</sup>

### Impacts of food deserts on health

Individuals with low-access to fresh and healthy foods have access to foods that are processed and high in sugar and fats, which contributes to the obesity epidemic and other negative health outcomes. The presence of grocery stores, and the availability of healthy products in those stores, are important contributors to healthy eating patterns among neighborhood residents.<sup>2</sup> In general, food desert counties share a common set of social health disparities which include: larger percentages of individuals without a high school degree or GED; higher individual and family poverty rates; lower median family incomes; greater percentages of residents living in sparsely populated areas outside cities; larger shares of people who are older; and higher numbers of small grocery and convenience stores per capita.<sup>3</sup> The majority of convenience stores that are available within food deserts do not offer fresh and healthy foods, but rather processed snacks, sodas and alcohol.<sup>11</sup>

### Limitations in our understanding of the effects of food deserts

Understanding the conditions related to the supply and demand of access to healthy foods is critical to reduce the accessibility and affordability limitations. For example, research has consistently demonstrated that there is a correlation between limited food access and lower intake of nutritious foods, however, some studies also indicate that easy access to all food, rather than lack of access to specific healthy foods, may be a more important, contributing factor in the explanation of the increasing obesity rates.

## Legislation in other states

Residents who live in food deserts tend to have limited transportation options, or fewer supermarkets to get to.<sup>9</sup> There are several policy interventions in place to assist with the access to healthy and affordable foods, for example the National School Lunch Program (NSLP), or the Supplemental Nutrition Assistance Program (SNAP). However, **improving access to healthy options through stores may mean that the market conditions and barriers for offering more supermarkets in under-served areas need to be addressed. Financing the construction of new supermarkets and the expansion of existing stores is one of the primary strategies to increase access to sources of healthy food in underserved communities.**<sup>5</sup> A study that researched place-based access for health foods analysis, based on the number of supermarkets available to U.S. residents, found that the populations of 47 states saw some degree of inadequate or inequitable access to healthy and sufficient market demand for new or expanded food retail operations.<sup>5</sup> States around the nation have been considering different methods to reduce the number of people who live in low-supermarket-access (LSA) areas by establishing new stores.<sup>4</sup> For example, since 2010, states such as Iowa, Idaho and North Dakota have seen the highest improvements in terms of how many of their residents have better access to supermarkets by offering subsidy programs for the high development costs or by restructuring zoning policies to incentivize supermarket construction in low-access areas.<sup>4</sup>

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