

Tax Credits 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. Median household income and distance from grocery stores, along with other considerations, including access to personal/public transportation, typically determine whether an area is designated as a food desert. Living in food deserts impacts a multitude of factors including: food security, food affordability, federal nutrition program participation, health outcomes, economic and social attainments, real estate prices, and more. Several bills this year intend to provide tax credits to increase availability of nutritious and healthy foods within the food desert areas of Missouri. [HB1570](#), [HB2020](#), [SB717](#), and [HB1919](#) authorize tax credits for [urban farms](#) located in food deserts. [SB790](#) authorizes a tax credit for full-service grocery stores and is unique from the other four bills, because it is not restricted to urban areas and authorizes tax credits on expenses incurred from the construction or establishment of a full-service grocery store in a food desert in the state of Missouri.

Highlights

- Living in a food desert contributes to the lack of access to healthy and affordable foods and can negatively affect health.
- Prices at convenience stores in food deserts tend to be higher than in grocery stores (ranging from 5% to 25% higher for basic purchased foods, such as milk and cereal).
 - Many low-income consumers would like to shop outside food deserts and lower prices, but may not be able to get to stores that offer these low prices.
- 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.
 - Although full-service grocery stores in low-income neighbourhoods have little impact on reducing obesity, they can have an impact on community health and well-being, including economic benefits.

Limitations

- Defining what lack of access to affordable and nutritious food means and estimating exactly how many people are affected by living in food deserts is not straightforward.
 - While all people living in-neighborhoods are affected by their neighborhoods' characteristics, not all of those living in low-income neighborhoods are poor or food insecure, and vice versa.

Research Background

Definitions

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 (e.g., more than 0.5 mile in urban, or 10 miles in rural areas), by individual-level resources available (e.g., income, or vehicle), or by neighborhood-level resources (e.g., public transportation).¹

Food insecurity refers to the disrupted intake of food due to lack of money or other resources.² Most U.S. households have consistent, dependable access to enough food for active, healthy living—they are food secure. However, in 2017, 12.8% of all Americans, or approximately 40 million people, lived in food insecure households and 15.7% of all households with children experienced food insecurity.⁸

It is estimated that the use of food pantries increased from 2019 to 2020,³ and that COVID-19 has exacerbated the problem.¹⁰ The impacts of food insecurity are economic, social, physical, and psychological.

Low-Income (LI) & Low-Access (LA) Census Tracts Food Deserts

There are many ways to define a food desert or to measure access to food. The definition used by USDA, Treasury, and HHS is that food deserts are “low-income census tracts with a substantial number or share of residents with low levels of access to retail outlets selling healthy and affordable foods are defined as food deserts.”

A census tract refers to a small, relatively permanent subdivision of a county that usually contains between 1,000 and 8,000 people but generally averages around 4,000 people. Census tracts qualify as food deserts if they meet low-income *and* low-access thresholds:

- Low-income: a poverty rate of 20% or greater, or a median family income at or below 80% of the statewide or metropolitan area median family income;
- Low-access: at least 500 persons and/or at least 33% of the population lives more than 1 mile from a supermarket or large grocery store (or 10 miles, in the case of rural census tracts).

Despite improvements in access, 5.6% of the U.S. population currently lives in low-access census tracts and 2.2% of households in the continental U.S. live more than a mile away from a supermarket and do not have a personal vehicle. Lack of transportation poses a likely barrier to accessing affordable and nutritious food.⁴

[SB790](#) (2022) 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 the median family income is less than 80% of the statewide average and where at least 500 people or 30% of

the population are located at least one-half mile from a full-service grocery store in urbanized areas or at least 10 miles in rural areas.

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. households that live in food deserts and how economic and racial disparities may be impacted by this increase.⁴

[Food deserts](#) tend to have higher levels of poverty and higher minority populations; approximately 30% more non-White residents face limited access to food retail compared to White residents.⁵ 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.⁵

Impacts of Food Deserts on Health

Residents who live in food deserts tend to have limited transportation options, or fewer local supermarkets.⁶ Due to these factors, people who live in food deserts often pay more for food relying on convenience stores with fewer healthy food options.⁶

Individuals with low access to fresh and healthy foods have to rely on foods that are processed and high in sugar and fats, which contributes to obesity and other negative health outcomes and disparities (e.g., developmental problems for children, depression, etc.). The presence of grocery stores, and the availability of healthy products in those stores, are important contributors to healthy eating patterns among neighborhood residents.⁷

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.^{4,7}

Overall, research suggests that the establishment of new full-service grocery stores in a low-income neighborhoods along with improved access to the stores will have positive impacts on community health and well-being, and will benefit local economies.³

Food Insecurity and Food Deserts in Missouri

Over the last three years, Missouri populations have had a food insecurity rate of 12.8%, and 4.8% of the population has had very low food security. With 100 food deserts, Missouri faces a food insecurity and hunger problem (Figure 1).⁸ According to 2017 data, it is estimated that approximately 865,000 Missourians, including more than 214,000 children, experienced food insecurity, and the South and South-Eastern counties show the biggest overall needs in food.⁸

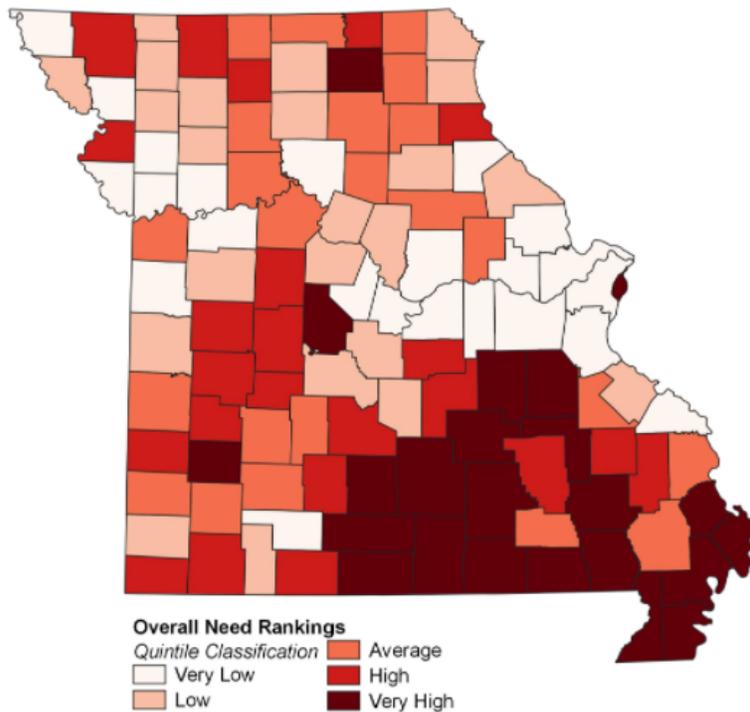


Figure 1. Overall Need Rankings, Missouri Hunger Atlas 2019, Interdisciplinary Center for Food Security, MU, 2019. The map shows the overall needs for food for each Missouri county, accounting for: percentages of population that are food insecure, the population that is SNAP/food stamp eligible based on income, the percent of K-12 students enrolled in free or reduced-price lunch (NSLP), and percent of children under the age of five that are WIC eligible.⁸

Federal Policies & Legislation in Other States

There are several policy interventions in place to assist with access to healthy and affordable foods. The most common are incentivizing grocery stores and supermarkets in food deserts, extending support for small, corner-type stores and neighborhood-based farmers markets, partnering with the community when selecting food desert measurements, policies, and interventions.¹¹

Expanding pilot efforts allowing customers to use Supplemental Nutrition Assistance Program benefits to purchase groceries online. 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 underserved areas need to be addressed also.

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.^{4,6,7} 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.⁹

States around the nation have been considering different methods to reduce the number of people who live in low supermarket access (LSA) areas by providing incentives for the establishment of new stores.⁹ For example, since 2010, states such as Iowa, Idaho, and North Dakota have had the largest 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.⁹

Full-Service Grocery Stores in Serving Food Deserts

Improving access to healthy and affordable food may be encouraged if grants, loans, or tax incentives are provided for new store developments, or to cover the building and/or operating costs of food retailers.⁵ This is because the price of land or rent may be higher in food-desert and zoning rules, such as the amount of parking required for new businesses, could make it more costly to develop a new store.⁵

Some of the most efficient and affordable grocery stores in the nation are increasingly larger stores, such as supercenters. This type of store model relies on substantial parcels of land for the store and adequate parking, as well as roadways to accommodate large delivery trucks and customer access. However, such stores may not always be a feasible option in dense urban environments or in small rural towns that lack sufficient transportation infrastructure.⁵

To address this problem, some supermarket chains have developed smaller store formats that fit into denser urban environments. For example, Walmart operates under three store formats across the US: Walmart Discount Store Stores, Walmart Supercenters, and Walmart Neighborhood Markets. Other supermarket chains, such as ALDI, have developed “hard discount” grocery stores in a smaller version and sometimes selling only store brands or offering a limited range of product sizes.⁵

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