

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 629** HLS 17RS 1248  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

|  |                                  |
|--|----------------------------------|
| <b>Date:</b> May 16, 2017 6:03 PM                    | <b>Author:</b> ANDERS            |
| <b>Dept./Agy.:</b> REVENUE                           | <b>Analyst:</b> Benjamin Vincent |
| <b>Subject:</b> Sales Tax Exemption: Polyroll Tubing |                                  |

TAX/SALES-USE, ST-EXEMPT EG -\$212,000 GF RV See Note Page 1 of 1  
 Adds certain polyroll tubing to the definition of farm equipment for purposes of the state sales and use tax exemption for certain farm equipment

Current law taxes sales of polyroll tubing at a rate of 3% through June 30, 2018, at which time it will become fully exempt. The first \$50,000 of farm irrigation equipment is currently exempt from state sales tax. Because polyroll tubing requires annual replacement, The La Dept. of Revenue does not qualify it as irrigation equipment but instead categorizes it as irrigation supplies.

Proposed law extends the definition of farm equipment to specifically include polyroll tubing for commercial farm irrigation. This will allow polyroll tubing the same exemption as farm irrigation equipment: 0% tax on the first \$50,000 of the purchase price.

Effective October 1, 2017.

| <b>EXPENDITURES</b> | <b>2017-18</b> | <b>2018-19</b> | <b>2019-20</b> | <b>2020-21</b> | <b>2021-22</b> | <b>5 -YEAR TOTAL</b> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd.      | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Agy. Self-Gen.      | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Ded./Other          | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Federal Funds       | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Local Funds         | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| <b>Annual Total</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>           |

  

| <b>REVENUES</b>     | <b>2017-18</b> | <b>2018-19</b> | <b>2019-20</b> | <b>2020-21</b> | <b>2021-22</b> | <b>5 -YEAR TOTAL</b> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd.      | (\$212,000)    | \$0            | \$0            | \$0            | \$0            | <b>(\$212,000)</b>   |
| Agy. Self-Gen.      | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Ded./Other          | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Federal Funds       | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Local Funds         | SEE BELOW      | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| <b>Annual Total</b> |                | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>           |

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

**REVENUE EXPLANATION**

Polyroll tubing does not qualify as irrigation equipment, and is subject to 3% state sales tax through FY18. This bill would exempt the first \$50,000 of polyroll tubing purchases from the state sales tax, as commercial farm irrigation equipment.

La Dept. of Revenue (LDR) reports having minimal data on these purchases, as few taxpayers reported the exemption in 2016. Annualized LDR data on reported transactions from July-December 2016 indicates approximately \$77,000 in sales, implying less than \$2,400 in sales tax annually at a 3% rate. Due to the timing of this reporting period, it possibly misses significant sales activity taking place over the year, and understates the typical annual amount of these transactions due to the seasonal timing of irrigation supply purchases. Potential early compliance difficulties with the state's new sales tax data collection coding system are also likely for these transactions..

A recent report by the LSU AgCenter (Red River Research Station) estimated that approximately 78% of the irrigated acres in Louisiana are watered using this material, implying roughly 855,000 acres covered. It estimates a typical price of \$0.22-\$0.25 per foot. Because this material is replaced frequently, the resulting yearly total sales may be as high as \$7.1 million.

A single purchase surpassing \$50,000 would buy an amount of polyroll capable of irrigating over 6,000 acres. According to 2013 USDA data, over 95% of Louisiana's 26,900 farm operations are smaller than 3,800 acres. Therefore, this note assumes that the amount of sales surpassing \$50,000 per purchase will be marginal.

Compared to a 3% tax, these sales imply exposure to potential revenue losses of \$212,000 in FY18 due to this exemption. Although the imposition is only in effect from October 1, 2017 to July 1, 2018, this note assumes a full year's losses. This is due to a heavy seasonal component of timing for these purchases, most of which will likely take place during the period the exemption would be in effect. Proposed law would not impact state revenues in FY19 or any following year.

This bill would also exempt tax for any local jurisdictions that have adopted the exemption under R.S. 47.305.25. LDR is unable to determine which local jurisdictions, if any, have enacted a resolution or ordinance adopting the exemption.

Senate Dual Referral Rules  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

*Gregory V. Albrecht*  
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