LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 596** HLS 19RS 1056
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 7, 2019 11:00 AM
Author: STEFANSKI
Dept./Agy.: Revenue
Subject: Definitions: Commercial Farmer
Analyst: Benjamin Vincent

TAX/SALES-USE-EXEMPT EG SEE FISC NOTE GF RV See Note

Defines a commercial farmer for purposes of certain sales and use tax exemptions

Present law provides a sales and use tax exemption for certain agricultural inputs for commercial farmers, and provides certain requirements to meet the definition of "commercial farmer".

Proposed law expands the definition of commercial farmer to include landowners who are a party to a joint venture who leases land to a commercial farmer as defined in present law. Proposed law requires the taxpayer to submit documentation of the joint venture arrangement to the Department of Revenue in order for the Secretary to make a determination that the taxpayer will be considered a commercial farmer.

Effective July 1, 2019.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Proposed law would expand the definition of commercial farmer to explicitly include a landowner who is party to a joint venture and leases land to a commercial farmer.

LDR reports that current practice is adherence to IRS standards that consider rental income from farmland as farm income, if the landowner is significantly and materially involved in the farm commodity production. Income received for the use of farmland b*y another person or entity* is generally considered rental income. Commercial farmer status is verified by requiring a report of farm income and expenses on Schedule F, which requires the landowner to be materially involved in the production of farm commodities.

LDR already certifies members of commercial farm joint ventures as described above, and reports that it is unclear how many additional applications would be approved due to proposed law. To the extent that additional applications for commercial farmer certification are approved, general fund and local revenues would decrease.

As the requirement for a landowner in a joint venture to qualify as a commercial farmer would not be significantly changed, a material impact on general fund and local revenues is not anticipated.

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}

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