



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: HB 119 HLS 23RS 196
Bill Text Version: ORIGINAL
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: March 28, 2023 4:39 PM Author: JOHNSON, MIKE
Dept./Agy.: Revenue Analyst: Deborah Vivien
Subject: State and local sales tax exemption for ag fencing & trailers

TAX/SALES-USE-EXEMPT OR DECREASE GF RV See Note Page 1 of 1

Exempts from state and local sales and use tax certain agricultural fencing materials and trailers acquired by commercial farmers
Current law provides a state sales tax rebate for sales tax paid for agricultural fences purchased by commercial farmers certified on or before 1/1/22 to repair fences located in declared disaster areas following the 2020 and 2021 hurricanes. Purchases must be made by 12/31/22 and applications submitted by 12/31/23. Any portion of fencing ultimately paid by insurance or state/federal funds is not eligible for the rebate, which may only be claimed after fencing repairs are complete.

Proposed law repeals current law on 8/1/24 and exempts state and local sales tax on purchases, leases or rentals of agricultural fencing and trailers by commercial farmers that repair substantial damage from hurricanes, tornadoes, high winds or floods that occurred up to 18 months prior to the transaction.

The proposed exemption is effective on 8/1/23.

Table with 7 columns: EXPENDITURES, 2023-24, 2024-25, 2025-26, 2026-27, 2027-28, 5 -YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total.

Table with 7 columns: REVENUES, 2023-24, 2024-25, 2025-26, 2026-27, 2027-28, 5 -YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total.

EXPENDITURE EXPLANATION
The Department of Revenue indicates that implementation costs of \$51,360 will be incurred for the redesign of existing exemption forms, development of a new exemption form and the institution of new sales tax codes with computer system modifications to track the exemption and will require state general fund. LFO believes that the department can absorb this amount within its current budget but may require additional resources if the aggregate impact of all bills enacted during this session is substantive.

REVENUE EXPLANATION
The proposed law can only serve to lower state and local sales tax revenue as the exemption includes purchases, leases and rentals of fencing and trailers by commercial farmers for storm-damaged fencing and trailers.

With a broad definition of allowable weather events (specified as hurricanes, tornadoes, high winds or floods but not required to be a declared disaster), a potentially large category of agricultural fencing and trailers and an 18 month time-frame to claim the exemption without the proof of project completion, this exemption could be difficult to administer accurately, possibly leading to larger than expected utilization. This exemption expands significantly on the current rebate offered to commercial farmers rebuilding fencing in declared disaster areas from 2020 and 2021. The bill allows a state and local sales tax exemption of all fencing materials, including decorative fencing, and the purchase, lease or rental of all agricultural trailers damaged by weather and used in agricultural production or to transfer farm products. There is no provision in the bill excluding damages covered by insurance or emergency assistance and no constraining certification dates for the commercial farmers claiming the exemption. The bill does not allow the exemption for any damages claimed under the current storm-damaged fencing rebate that is repealed by this bill, though LDR has not received any rebate requests to date.

Since the proposed law includes an exemption handled by the vendor, instead of a rebate handled by the department, it is not clear what would be required of a vendor in determining whether to allow the exemption at the point of sale. The burden and liability would be with the vendor to determine exemption eligibility and storm damage.

LDR reports 8,690 certified commercial farmers that would be eligible for the exemption and 8 million acres of farmland (crops, pasture, and woods), according to the USDA Census. LDR reports from OMV that 3,327 farm trailers and 1,841 forest product trailers are licensed in the state. Since the responsibility of repairing damage to rented trailers typically falls to the owner, it is not clear what the exemption will cover, i.e., whether a trailer rental can be construed as a storm repair to another trailer. With the uncertainty in the administration, utilization and coverage of the exemption, including future weather, the magnitude of the decrease in collections cannot be determined, but could potentially be significant.

- Senate Dual Referral Rules House
13.5.1 >= \$100,000 Annual Fiscal Cost {S & H} 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
[X] 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H} 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Signature of Alan M. Boxberger
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Interim Legislative Fiscal Officer