



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 502** HLS 23RS 720
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 26, 2023 5:44 PM **Author:** MCFARLAND
Dept./Agy.: Department of Revenue **Analyst:** Deborah Vivien
Subject: Commercial Farmer Definition Change

TAX/SALES & USE

EG SEE FISC NOTE SG RV

Page 1 of 1

Modifies the definition of the term commercial farmer by removing certain reporting requirements

Current law requires that certification by the Department of Revenue for a commercial farmer requires a federal Schedule F or similar federal tax form as proof of farm income filed by a person or entity assigned a NAICS code beginning with 11 (Agriculture, Forestry, Fishing, Hunting).

Proposed law removes the requirement for a Schedule F and a NAICS classification of 11 in defining a commercial farmer, which will be a person regularly and occupationally engaged in the commercial production of food, agricultural commodities or agricultural products for sale. The Department of Revenue with the Department of Agriculture shall promulgate rules as necessary for the administration of the exemption and registration of farmers. The manufacturing machinery and equipment exemption for commercial farmers will continue to require the federal tax form and NAICS specification. No commercial farmer sales tax exemptions shall be available for activities not engaged in for profit by federal definition. Effective 8/1/23.

EXPENDITURES	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	SEE BELOW	\$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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total		\$0	\$0	\$0	\$0	\$0

REVENUES	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>	<u>5 -YEAR TOTAL</u>
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Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

The Department of Revenue reports system change expenses of \$51,360 that will be incorporated into the aggregate increase in responsibilities anticipated by the department from all session action to determine if additional resources will be required.

REVENUE EXPLANATION

The bill appears to simplify the process of qualifying for a commercial farmer exemption. The impact of the bill will depend on the rules promulgated by the departments, which will presumably endeavor to allow those commercial farmers currently eligible for the exemptions to become eligible with fewer documentary burdens. To the extent the eligibility requirements target the same population, the bill is expected to have little impact.

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}

Alan M. Boxberger
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