



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 330** HLS 23RS 681
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | | |
|---|---------|--------------------------------|
| Date: May 24, 2023 | 9:57 AM | Author: JOHNSON, MIKE |
| Dept./Agy.: Revenue | | Analyst: Deborah Vivien |
| Subject: State and local sales tax exemption for ag fencing & trailers | | |

TAX/SALES-USE-EXEMPT RE DECREASE GF RV See Note Page 1 of 1
 Exempts from state and local sales and use tax 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 2.45% of state and all of local sales tax on all purchases of agricultural fencing (defined in the bill) by commercial farmers leaving it taxable at 2%. Any fencing purchases that receive the current storm rebate are not eligible. The exemption does not expire.

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

| EXPENDITURES | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 5 -YEAR TOTAL |
|---------------------|------------|------------|------------|------------|------------|---------------|
| 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 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 5 -YEAR TOTAL |
|---------------------|----------|----------|----------|----------|----------|---------------|
| State Gen. Fd. | DECREASE | DECREASE | DECREASE | DECREASE | DECREASE | |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | DECREASE | DECREASE | DECREASE | DECREASE | DECREASE | |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | DECREASE | DECREASE | DECREASE | DECREASE | DECREASE | |
| Annual Total | | | | | | |

EXPENDITURE EXPLANATION

The Department of Revenue indicates that implementation costs will be incurred for the redesign of existing exemption or tax forms for the 2% rate, and the institution of new sales tax codes with computer system modifications to track the exemption. LFO believes that the departments 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 partial exemption includes purchases of all fencing by commercial farmers*. With the uncertainty in the utilization and coverage of the exemption, the magnitude of the decrease in state and local sales tax collections cannot be determined. The bill contains no cost caps in total or by purchase. The reduction in state funds will occur in the state general fund, the tourism and promotion district (CRT) and economic development dedicated funds (LED). Local funds will be reduced by a similar amount as state funds, disbursed by the point of purchase. Since the proposed law includes an exemption handled by the vendor, instead of a rebate handled by the department, it is assumed that additional clarity may be included in rules that are authorized to be promulgated by LDR.

The bill mandates a partial state and total local sales tax exemption of defined fencing materials purchased by commercial farmers. There is no provision in the bill excluding damages covered by insurance, emergency assistance or other assistance and no constraining certification dates for the commercial farmers claiming the exemption. The bill does disallow a dual claim for this exemption and any claims under the current storm-damaged fencing rebate that is repealed by this bill, though no rebate claims have been filed to date.

LDR reports 8,690 certified commercial farmers that would be eligible for the exemption. In an attempt to gauge potential magnitude for livestock fencing, the LA Dept. of Agriculture estimates about 125 million linear feet of perimeter cattle fencing in the state with a 50% markup for crossfencing based on 2 acres per head assuming 475,000 brood cows in the state. Assuming an average cost of \$3/linear foot and a 5% annual fencing replacement, which could increase with certain weather events, state general fund revenue would decrease by \$0.69 M with 2.45% exempt (\$0.65 M at 2% exempt in FY 26 and beyond) and local revenue by \$1.1 M at 4%. Any of these assumptions could be significantly more or less than those related to actual purchases which makes the estimate uncertain.

* Fencing is defined in the bill as gates, hog wire fencing, barbed wire fencing, lumber or steel used as posts or rails, nails, screws, hinges and concrete consisting of premixed dry mortar used for the purpose of fencing agricultural livestock. It also means electric fence wire, insulated posts, power sources, grounding systems, warning signs and other components of electrical agricultural fencing.

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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