LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 2** SLS 202ES 32
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: September 28, 2020 8:06 PM
Author: CATHEY
Dept./Agy.: Revenue
Subject: Sales Tax Exemptions: Utilities by Commercial Farmers
Analyst: Benjamin Vincent

TAX EXEMPTIONS OR -$3,200,000 GF RV See Note

Exempts purchases of utilities by commercial farmers and agricultural manufacturers impacted by a declared state of emergency or disaster from state sales and use tax. (gov sig) (Item #26)

Present law subjects purchases of taxable goods and services to a a combined sales and use tax rate of 4.45% via four major levies. Present law provides exemptions from three of the four major levies for certain nonresidential utilities, resulting in a 2% tax rate on these purchases until June 30, 2025.

Proposed law defines eligible commercial farmers and agricultural manufacturers, and creates a temporary exemption from all sales and use tax levies for purchases of utilities by these entities. Proposed law provides that the exemption is effective from November 1, 2020 through June 30, 2021, and that the Secretary of the Department of Revenue (LDR) may promulgate rules and regulations necessary for implementation.

Effective upon governor's signature.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	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	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	($3,200,000)	$0	$0	$0	$0	**($3,200,000)**
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	**($3,200,000)**	**$0**	**$0**	**$0**	**$0**	**($3,200,000)**

EXPENDITURE EXPLANATION

The Revenue Department indicates IT staff time costs of some $25,000 to make and test modifications to the sales tax system.

REVENUE EXPLANATION

Proposed law exempts purchases of nonresidential utilities, made during the final eight months of FY21 by commercial farms and agricultural manufacturers, from the 2% sales tax rate provided in current law.

An estimated revenue impact is generated utilizing historical consumption of nonresidential utilities and intermediate use data from the Bureau of Economic Analysis, as actual transactions data detailing these purchases is not available. These data produce an estimated partial-year revenue impact of approximately $3.2 million over the remainder of FY21.

Senate Dual Referral Rules

- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}
- [x] 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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