

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 4** SLS 202ES 50
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
|---|----------------------------------|
| Date: September 28, 2020 8:14 PM | Author: CATHEY |
| Dept./Agy.: Revenue | |
| Subject: Sales Tax Exemption: Farm Equipment | Analyst: Benjamin Vincent |

TAX EXEMPTIONS OR DECREASE GF RV See Note Page 1 of 1

Exempts purchases of certain farm equipment from the state sales and use tax during a declared state of emergency or disaster. (gov sig) (Item #26)
Present law exempts that portion of certain purchases of farm equipment that is below \$50,000 from state sales and use tax.

Proposed law fully exempts certain purchases of farm equipment made between November 1, 2020 thru June 30, 2021 from state sales and use tax. Proposed law applies the exemption to that portion of the sales price that is above \$500,000 for each item of farm equipment.

Effective upon governor's signature.

| EXPENDITURES | <u>2020-21</u> | <u>2021-22</u> | <u>2022-23</u> | <u>2023-24</u> | <u>2024-25</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|-----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$51,000 | \$0 | \$0 | \$0 | \$0 | \$51,000 |
| 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 | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | \$51,000 | \$0 | \$0 | \$0 | \$0 | \$51,000 |

| REVENUES | <u>2020-21</u> | <u>2021-22</u> | <u>2022-23</u> | <u>2023-24</u> | <u>2024-25</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | DECREASE | \$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 |

EXPENDITURE EXPLANATION

LDR anticipates incurring minor costs in the implementation of a new exemption, revision of exemption certificates, and modification of sales tax returns. This cost is estimated to be approximately \$51,000.

REVENUE EXPLANATION

Proposed law enacts a list of several items under the definition of "farm equipment", and exempts that portion of purchases which is above \$500,000 per item under the definition for purchases between November 1, 2020 and June 30, 2021.

Current law provides sales tax exemptions on that portion of the sales price that is below \$50,000 for some items that would fall under the proposed definition of farm equipment. For each item in this category that has a sales price beyond \$500,000, the portion that is above \$500,000 would also be exempt.

Proposed law would also expand the list of exempted items to include replacement parts, hydraulic oil and lubricants, and labor costs on repairs for agricultural equipment.

Reliable data on the amount of these purchases made, with detail on the specific prices paid per item, is unavailable at this time. Thus, the magnitude of the revenue impact is unknown. Proposed law would result in an indeterminable revenue decrease.

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}

Gregory V. Albrecht
Chief Economist