LEGISLATIVE FISCAL OFFICE
Fiscal Note

ACT 53

Fiscal Note On: **SB 6** SLS 21RS 114

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 9, 2021 11:51 AM

Author: CATHEY

Dept./Agy.: Revenue

Subject: Exemption: Utilities by Commercial Farmers

Analyst: Benjamin Vincent

TAX/SALES EN DECREASE GF RV See Note

Exempts purchases of utilities used by commercial farmers for on-farm storage from state sales and use tax. (gov sig)

Current law defines "commercial farmers" and exempts certain commercial farmer purchases from state sales and use tax, including diesel fuel, butane, propane and other liquefied petroleum gases, and materials used in the construction of facilities for storing food and fiber for agricultural manufacturing.
Current law taxes sales of water, electricity, natural gas, and other energy sources for nonresidential use at a total state rate of 2% through June 30, 2025, at which time these purchases will become fully exempt.

Proposed law fully exempts nonresidential utilities purchased by commercial farmers for use in separately-metered Louisiana facilities that contain raw agricultural commodities, including feed, seed, and fertilizer.

Effective October 1, 2021.

EXPENDITURES	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**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	$0	$0	$0	$0	$0	**$0**
Annual Total		**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**5 -YEAR TOTAL**
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE		
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**

EXPENDITURE EXPLANATION

LDR reports that modifying the current set of suspended exemptions will require minor expenditures for tax return form redesign, and for computer system modification, development, and testing.

REVENUE EXPLANATION

Current law subjects purchases of nonresidential utilities made by commercial farmers to a 2% state sales tax rate until June 30, 2025, at which time these purchases will become fully exempt. Proposed law would fully exempt purchases of utilities by commercial farmers from state sales tax, when the utilities are used for certain separately-metered on-farm storage facilities or containers.

Reliable data on the magnitude of these purchases is not available. An initial estimate of total consumption by farms and other food manufacturers likely to utilize such facilities implies statewide taxable purchases of approximately $220M annually. A 2% exemption for these purchases would imply a revenue impact of approximately $4.4M. As proposed law specifies that only utilities in support of the storage phase are intended to be exempted, this figure represents an upper bound of the proposed law's revenue impact.

However, LDR reports that the administration of some aspects of the bill that appear to limit eligibility for the exemption would be problematic. For example, it is not clear how the exemption would apply for individual facilities that store and process raw agricultural commodities. Additionally, the extent to which eligible activity is already exempt from sales tax is not known, as presumably some already-exempted fuel sources such as butane or propane are currently used for these purposes.

Proposed law can only serve to reduce general fund revenues for FY22-FY25. Current law provides that these purchases will be exempt for FY26 and beyond.

The precise impact of proposed law will depend on the extent to which fuel sources that are already exempt are currently in use, the ability of farmers and utilities providers to correctly meter exempt and taxable utilities usage, and the actual proportion of commercial farm utilities consumed in the storage process. If only 11% of the upper bound revenue loss were realized, the exemption would approximate $500,000 per year.

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}

Gregory V. Albrecht

Gregory V. Albrecht
Chief Economist