

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1596

Amendment Number: H1

Bill Subtitle: TO ALLOW THE SALES AND USE TAX EXEMPTION FOR SALES FOR RESALE TO APPLY TO ITEMS SOLD FOR USE IN PRINTING; AND TO AMEND THE SALES AND USE TAX EXEMPTION FOR CERTAIN MACHINERY AND EQUIPMENT.

Basic Change :

**Sponsors: Reps. Jett and Speaks
Sen. J. Dismang**

House Amendment No. 1 --- HB1596-H1 limits the bill's expanded definition of "article of commerce" to:

- An item to be placed on the market for retail sale;
- A printed item produced for a specific customer in response to a special order; or
- An item that becomes a recognizable integral part of either of those items.

Original Bill --- HB1596 amends § 26-52-401(12) to provide that a printer can purchase goods, wares, merchandise, or property as exempt under the sale for resale exemption if the goods, wares, merchandise, or property become a recognizable, integral part of a printed product. HB1596 also amends § 26-52-402(b) to provide a definition of "article of commerce" for purposes of the manufacturing machinery and equipment exemption to include an item:

- To be placed on the market for retail sale;
- That is produced for a specific customer in response to a special order; or
- That becomes a recognizable integral part of an item described above.

HB1596 also expands the definition "directly" so that businesses can purchase machinery or equipment exempt from tax whether the company manufactures items for retail sale to the general public, or manufactures items for specific customers in response to special orders.

Revenue Impact :

FY2022

Total Approximate State Sales and Use Tax Loss \$ - 2,600,000

(Estimated Effective Date 10/1/21 --- 8 months reduced tax collection)

General Revenue - 4.5%	\$ - 1,744,200
Property Tax Relief - .5%	\$ - 193,800
Conservation Fund - .125%	\$ - 48,450
Educational Adequacy Fund - .875%	\$ - 339,150
Highway Fund - .5%	\$ - 193,800
Educational Excellence Trust Fund -	\$ - .000
Educational Adequacy (GR Transfer) -	\$ - .000
State Central Services -	\$ - 54,600
Constitutional Officers -	\$ - 26,000

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Total Approximate Local City and County Sales and Use Tax Loss \$ - 866,667

FY2023

Total Approximate State Sales and Use Tax Loss \$ - 4,000,000

General Revenue - 4.5%	\$ - 2,414,952
Property Tax Relief - .5%	\$ - 298,154
Conservation Fund - .125%	\$ - 74,538
Educational Adequacy Fund - .875%	\$ - 521,769
Highway Fund - .5%	\$ - 298,154
Educational Excellence Trust Fund -	\$ - 246,630
Educational Adequacy (GR Transfer) -	\$ - 21,803
State Central Services -	\$ - 84,000
Constitutional Officers -	\$ - 40,000

Total Approximate Local City and County Sales and Use Tax Loss \$ - 1,333,333

Taxpayer Impact :

A specialty or job printing business that currently is not considered a "manufacturer" for purposes of the manufacturing machinery and equipment exemption would not be excluded from eligibility to claim the exemption. A specialty or job printing business that currently pays sales and use tax on items purchased which become an recognizable and integral part of the finished product sold for custom print services will be able to purchase the printing inputs exempt from tax.

Resources Required :

None.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Updates to the Sales and Use Tax rules will need to be promulgated.

Other Comments :

None.

Legal Analysis :

None.