

Department of Finance and Administration

Legislative Impact Statement

Bill: SB11 **As Engrossed: 1/31/2013**
Bill Subtitle: TO CREATE AN EXEMPTION FROM THE SALES AND USE TAX FOR EXPENDABLE SUPPLIES FOR FARM MACHINERY.

Basic Change :

Senator G. Stubblefield

Engrossment 01/31/13 - Senate Amendment 1 - Amends the bill to limit the sales tax exemption to sales of baling twine, net wrap, silage wrap, and similar products that are used for baling, packaging, tying, wrapping, or sealing animal feed products. Animal feed products include hay, straw, grass, fodder, and silage. The proposal also exempts cotton wrap. The exemption would only apply to those products purchased for use in commercial farming operations. Specifically excluded from the exemption are supplies and parts used for maintenance, repairs or replacements of farm machinery.

Original Bill - Bill provides a sales and use tax exemption for sales of expendable supplies for farm machinery. Specific items included within the exemption are baling twine, net wrap, silage wrap, and cotton wrap that are used for baling, packaging, tying, wrapping, or sealing animal feed products. Animal feed products include hay, straw, grass, fodder, silage, and similar products. The proposal does not define "expendable supplies for farm machinery" and the bill would include exemption for all purchases for farm machinery including maintenance supplies and repair and replacement parts.

The current sales tax exemption for farm machinery and equipment is limited to purchases by farmers engaged in the commercial agricultural production of food or fiber as a business. The exemption established by the bill does not include the commercial farming use requirement.

Revenue Impact :

FY14 Tax Decrease

Total Impact to State Revenues -\$.750 million
[8 Months of Reduced Tax Collections -- 10/1/2013 Effective Date]

-\$.502 million ---State General Revenue (4.5%)
-\$.097 million ---Educational Adequacy (.875% tax)
-\$.056 million ---Property Tax Relief Trust Fund (.5%)
-\$.014 million ---Conservation Tax (.125%)
-\$.056 million ---Highway Fund (.5%)
-\$ 0.00 million ---Educational Excellence Trust Fund
-\$ 0.00 million ---Educational Adequacy (GR transfer)
-\$.017 million ---State Central Services
-\$.008million ---Constitutional Officers

Total Impact to City and County Sales Tax -\$.242 million

FY15 Tax Decrease

Total Impact to State Revenues -\$.1.166 million

-\$.665 million ---State General Revenue (4.5%)
-\$.152 million ---Educational Adequacy (.875% tax)
-\$.087 million ---Property Tax Relief Trust Fund (.5%)
-\$.022 million ---Conservation Tax (.125%)
-\$.087 million ---Highway Fund (.5%)

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-\$.107 million ---Educational Excellence Trust Fund
-\$.009 million ---Educational Adequacy (GR transfer)
-\$.027 million ---State Central Services
-\$.012 million ---Constitutional Officers

Total Impact to City and County Sales Tax -\$\$.376 million

Taxpayer Impact :

Sellers of the items entitled to this exemption would change their accounting and tax collection systems to discontinue collection of state and local sales tax on sales of the exempted products and to maintain records of the exempted sales.

Resources Required :

None

Time Required :

Adequate time is provided for implementation

Procedural Changes :

DFA would develop rules and procedures for implementation of the proposal in order to provide guidance to sellers and to reduce non-compliance concerns

Other Comments :

None

Legal Analysis :

Under current law, products used by cotton gins to bag, package or tie baled cotton may be purchased tax exempt. Twine used in the production of tomato crops may also be purchased tax exempt. This bill expands the existing exemption to include expendable supplies for farm machinery that are used for baling, packaging, tying, wrapping or sealing animal feed products. Animal feed products are defined in the bill to mean hay, straw, grass, fodder, silage and "similar products".

The bill does not have an Emergency Clause and will become effective on the first day of the calendar quarter following the effective date of the act.