

Department of Finance and Administration

Legislative Impact Statement

Bill: SB299

Bill Subtitle: TO AMEND THE SALES AND USE TAX EXEMPTION FOR TIMBER HARVESTING MACHINERY, EQUIPMENT, AND RELATED ATTACHMENTS; AND TO DECLARE AN EMERGENCY.

Basic Change :

Senator Teague

The proposal amends state law to provide a sales and use tax exemption for Tax new and used timber harvesting equipment. Under current law, machinery and equipment and related attachments purchased by timber harvesters are exempt on the first \$50,000 of the equipment's purchase price. The portion of the purchase price that exceeds \$50,000 is subject to tax. This bill would extend the tax exemption to the entire purchase price. The proposal includes an emergency clause and would be effective on July 1, 2013.

Revenue Impact :

FY14 Tax Decrease

Total Impact to State Revenues - \$705,800

(Effective 7/1/2013 – 11 Months of Reduced Deposits)

-\$ 472,500 --- State General Revenue (4.5%)
-\$ 91,900 --- Educational Adequacy (.875% tax)
-\$ 52,500 --- Property Tax Relief Trust Fund (.5%)
-\$ 13,100 --- Conservation Tax (.125%)
-\$ 52,500 --- Highway Fund (.5%)
-\$ 0 --- Educational Excellence Trust Fund
-\$ 0 --- Educational Adequacy (GR transfer)
-\$ 16,200 --- State Central Services
-\$ 7,100 --- Constitutional Officers

Total Impact to City and County Sales Tax -\$4,500

FY15 Tax Decrease

Total Impact to State Revenues - \$790,000

-\$ 456,200 --- State General Revenue (4.5%)
-\$ 102,800 --- Educational Adequacy (.875% tax)
-\$ 58,800 --- Property Tax Relief Trust Fund (.5%)
-\$ 14,700 --- Conservation Tax (.125%)
-\$ 58,800 --- Highway Fund (.5%)
-\$ 66,800 --- Educational Excellence Trust Fund
-\$ 10,900 --- Educational Adequacy (GR transfer)
-\$ 18,200 --- State Central Services
-\$ 7,900 --- Constitutional Officers

Total Impact to City and County Sales Tax -\$4,500

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Taxpayer Impact :

Timber harvesters would purchase machinery and equipment exempt from sales tax versus the current exemption that is limited to the first \$50,000 of the purchase price. The current exemption is administered as a tax rebate to the eligible purchaser who pays the sales tax on the total purchase price to the seller and receives a rebate for the eligible exempt portion from DFA. The proposal would result in the purchaser claiming the exemption from the seller at the time of sale.

Resources Required :

None

Time Required :

Adequate time is provided for implementation

Procedural Changes :

Education of taxpayer assistance staff personnel of change in law and notification to sellers to begin administering the exemption.

Other Comments :

None

Legal Analysis :

Currently, only the first \$50,000 of the purchase price of timber harvesting machinery or equipment is exempt from sales tax. This bill exempts the entire purchase price of both new and used timber harvesting machinery and equipment from sales and use tax. The bill also repeals the provision in existing law authorizing a rebate for the exemption, which will no longer be needed, and will therefore require the removal of the rebate provisions from Gross Receipts Rule GR-51(F) & (G).

The bill contains an Emergency Clause with an effective date of July 1, 2013.