

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB341**

**Bill Subtitle: TO CREATE AN INCOME TAX EXEMPTION FOR PAYMENTS FROM AGRICULTURAL DISASTER PROGRAMS.**

---

**Basic Change :** Sponsor: Sen. Irvin,

SB341 provides an income tax exemption for payments from agricultural disaster programs; defines agricultural disaster program to mean a program that provides compensation to agricultural producers who have suffered a loss as the result of an emergency, disaster or declining market prices or value. Nine specific disaster relief programs are listed in the bill. The bill is effective for tax years beginning on or after January 1, 2014.

**Revenue Impact :**

FY 2016 - \$3.2M reduction to general revenue

FY 2017 - \$1.6M reduction to general revenue

[The bill does not have an emergency clause. Consequently, the act would not become effective until after July 1, 2015. Taxpayers who have already filed 2014 calendar year returns will file amended returns in early FY2016 and those filing on extension in September or October, 2015 (also FY2016). This would cause the reduction to general revenue to double for FY2016, to account for 2014 and 2015 calendar year filed returns.]

**Taxpayer Impact :**

Taxpayers who receive payments from an agricultural disaster program will not be required to report those payments as taxable income. Affected taxpayers who have already filed returns for 2014 will need to file amended returns within three years of filing their original return to exclude the income.

**Resources Required :**

Computer system, forms and booklets must be updated.

**Time Required :**

Adequate time is provided.

**Procedural Changes :**

Update computer system, forms and booklets. Educate income tax staff and tax community.

**Other Comments :**

Need to clarify whether expenses related to the receipt of the disaster payments are still deductible even though disaster payments are not included in income. Otherwise taxpayers could use these expenses to offset other income. The bill does not require that exempt payments be reported on income tax returns.

The bill states its effective date would be for tax years beginning on or after January 1, 2014. It is likely that some affected taxpayers have already filed returns for 2014 and will need to file amended returns to take advantage of the exemption should this bill become law as currently written.

**Legal Analysis :**

SB341 provides an income tax exemption for payments received from an "agricultural disaster program." An "agricultural disaster program" provides compensation to an agricultural producer who suffered a loss resulting from an emergency, a disaster, or declining market prices or value. The bill provides the names of specific agricultural disaster programs that would be subject to the exemption. The act will be effective for tax years beginning on or after January 1, 2014.