

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1818

Bill Subtitle: TO CREATE A SALES AND USE TAX EXEMPTION FOR PARTS PURCHASED TO REPAIR AGRICULTURAL EQUIPMENT AND MACHINERY AND TIMBER EQUIPMENT AND MACHINERY.

Basic Change :

Sponsors: Rep. Beaty Jr. and Sen. Gilmore

HB1818 creates a sales and use tax exemption for the sale of parts purchased to repair existing agricultural equipment and machinery or existing timber equipment and machinery. Parts purchased to repair qualifying equipment and machinery may be purchased exempt from sales and use tax. Full and partial repairs qualify for the exemption.

Under HB1818, agricultural equipment and machinery would include "implements used exclusively and directly in a commercial agricultural production in this state." Also, timber equipment and machinery would include "implements used exclusively in the commercial production, harvesting, or processing of timber in this state."

The bill will be effective on or after January 1, 2022.

Revenue Impact :

FY2022

Total Approximate State Sales and Use Tax Loss \$ - 8,300,000

(Effective Date 1/1/22 --- 5 months reduced tax collection)

General Revenue - 4.5%	\$ - 5,568,023
Property Tax Relief - .5%	\$ - 618,669
Conservation Fund - .125%	\$ - 154,667
Educational Adequacy Fund - .875%	\$ - 1,082,671
Highway Fund - .5%	\$ - 618,669
Educational Excellence Trust Fund -	\$ - .000
Educational Adequacy (GR Transfer) -	\$ - .000
State Central Services -	\$ - 174,300
Constitutional Officers -	\$ - 83,000

Total Approximate Local City and County Sales and Use Tax Loss \$ - 2,766,667

FY2023

Total Approximate State Sales and Use Tax Loss \$ - 20,000,000

General Revenue - 4.5%	\$ - 12,560,004
Property Tax Relief - .5%	\$ - 1,490,769
Conservation Fund - .125%	\$ - 372,692
Educational Adequacy Fund - .875%	\$ - 2,608,846
Highway Fund - .5%	\$ - 1,490,769

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Educational Excellence Trust Fund -	\$ - 787,318
Educational Adequacy (GR Transfer) -	\$ - 69,600
State Central Services -	\$ - 420,000
Constitutional Officers -	\$ - 200,000

Total Approximate Local City and County Sales and Use Tax Loss **\$ - 6,666,667**

[Statistical information derived using data from the USDA, U.S. Bureau of Economic Analysis, and the U.S. Census Bureau for agriculture and timber expenditures.]

Taxpayer Impact :

The purchases of parts used to repair agricultural and timber machinery and equipment used directly in commercial production, harvesting, or processing would no longer be taxable would not be subject to sales or use 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.