

Department of Finance and Administration

Legislative Impact Statement

Bill: SB253

Bill Subtitle: TO AMEND THE SALES TAX TREATMENT OF UTILITIES USED FOR CERTAIN QUALIFYING AGRICULTURAL STRUCTURES; AND TO DEFINE THE TERM "AGRICULTURE."

Basic Change :

**Sponsors: Sen. Beckham
Rep. Lynch**

SB253 amends § 26-52-450 to expand the sales and use tax exemption for sales of utilities used by qualifying agricultural structures and qualifying aquaculture or horticulture equipment to also include qualifying agriculture equipment. Utilities that could be purchased exempt from sales and use tax include electricity, liquefied petroleum gas, and natural gas. SB253 adds a definition to § 26-52-450 of "agriculture" to mean "soil preparation, seed planting, crop harvesting, gardening, and viticulture."

SB253 also amends the definition provided under current § 26-52-450(a) of "qualifying aquaculture or horticulture equipment" to also include "agriculture equipment". SB253 provides an amended definition of "qualifying aquaculture, agriculture, or horticulture equipment" as follows:

- A cooling unit, collection unit, or irrigation equipment used in a commercial aquaculture, agriculture, or horticulture operation;
- Equipment used to pump and aerate a pond used in a commercial aquaculture operation; and
- A holding and sorting tank used in a commercial aquaculture operation.

The bill will be effective on the first day of the second calendar month following the effective date of this act. For purposes of the Revenue Impact below, an effective date of September 1, 2021 is assumed.

Revenue Impact :

FY 2022

Total Approximate State Sales and Use Tax Loss	\$ - 4,000,000
(Estimated Effective Date 9/1/21 --- 9 months reduced tax collection)	
	\$ - 2,683,385
General Revenue - 4.5%	
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 -	\$ - .000
Educational Adequacy (GR Transfer) -	\$ - .000
State Central Services -	\$ - 84,000
Constitutional Officers -	\$ - 40,000
Total Approximate Local City and County Sales and Use Tax Loss	\$ - 1,333,333

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FY 2023

Total Approximate State Sales and Use Tax Loss **\$ - 5,250,000**

General Revenue - 4.5%	\$ - 3,160,591
Property Tax Relief - .5%	\$ - 391,327
Conservation Fund - .125%	\$ - 97,832
Educational Adequacy Fund - .875%	\$ - 684,822
Highway Fund - .5%	\$ - 391,327
Educational Excellence Trust Fund -	\$ - 332,002
Educational Adequacy (GR Transfer) -	\$ - 29,350
State Central Services -	\$ - 110,250
Constitutional Officers -	\$ - 52,500

Total Approximate Local City and County Sales and Use Tax Loss **\$ - 1,750,000**

[Statistical data derived using information produced by the United States Census Bureau on agriculture expenditures for irrigation equipment, facilities, and land improvement.]

Taxpayer Impact :

A taxpayer conducting a qualifying aquaculture, agriculture, or horticulture operation that utilizes electricity, liquefied petroleum gas, or natural gas for his or her equipment would no longer be responsible for paying sales and use tax on the purchase of those utilities.

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.