

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1954-02
Bill No.: SB 524
Subject: Agriculture and Animals; Revenue Dept.; Taxation and Revenue - General, Sales and Use
Type: Original
Date: February 28, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(Unknown)	(Unknown)	(Unknown)
School District Trust	(Unknown)	(Unknown)	(Unknown)
Conservation	(Unknown)	(Unknown)	(Unknown)
Parks and Soil	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> State Funds*	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

* Expected to exceed \$100,000 annually.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation as worded would exempt all sales of materials purchased for use in the construction of fencing utilized in the production of livestock or poultry. This also removes the limitation on the farm use exemption on diesel fuel.

Administrative Impact - None; however, DOR noted that this legislation would completely exempt diesel fuel used for farm use. This exemption will reduce DOR's collection by \$179,000 - this is a portion and does not include the sales tax collected at the retailer which would be reported by the retailer on the sales tax return which can not be identified. Therefore, the revenue impact is unknown for the entire piece of legislation.

The **Department of Agriculture (AGR)** officials assume this bill would not affect AGR because AGR does not collect taxes for all sales of materials purchased for use in the construction of fencing utilized in the production of livestock or poultry.

Officials from the **Office of Administration - Budget and Planning (BAP)** state this bill has no impact on BAP. This proposal would provide a sales tax exemption for the purchase of fence building material for fences used in livestock or poultry production, and removes the limitation on the farm use exemption for diesel fuel. BAP has not been able to find any empirical basis to estimate the fiscal impact of this proposal and believes AGR is better suited to provide estimates on this proposal.

Since DOR could only estimate a portion of the revenue loss for the removal of the limitation on the farm use diesel fuel exemption and **Oversight** does not possess data regarding diesel fuel usage on farms, nor the quantity of fencing material purchases for livestock or poultry, revenue losses have been stated as unknown, expected to exceed \$100,000 annually to all affected funds.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
---	---------------------	---------	---------

Loss to State Funds:

General Revenue Fund	(Unknown)	(Unknown)	(Unknown)
School District Trust Fund	(Unknown)	(Unknown)	(Unknown)
Conservation Sales Tax Fund	(Unknown)	(Unknown)	(Unknown)
Parks and Soil Sales Tax Fund	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

ESTIMATED NET EFFECT ON ALL FUNDS*

<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
------------------	------------------	------------------

***Expected to exceed \$100,000 annually**

FISCAL IMPACT - Local Government

FY 2002
(10 Mo.)

FY 2003

FY 2004

Loss to Political Subdivisions

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON
LOCAL POLITICAL SUBDIVISIONS**

(UNKNOWN)

(UNKNOWN)

(UNKNOWN)

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill exempts from state and local sales and use taxes all materials used in the construction of fencing utilized in the production of livestock and poultry, and removes the limitation on farm use exemption for diesel.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

This proposal would result in a decrease in Total State Revenues.

SOURCES OF INFORMATION

Department of Revenue
Department of Agriculture
Office of Administration
Budget and Planning



Jeanne Jarrett, CPA
Director
February 28, 2001