

**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **HB 596** HLS 19RS 1056
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **W/ SEN FLOOR AMD**
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Revenue		Analyst: Benjamin Vincent
Subject: Definitions: Commercial Farmer		

TAX/SALES-USE-EXEMPT REF SEE FISC NOTE GF RV See Note Page 1 of 1
 Defines a commercial farmer for purposes of certain sales and use tax exemptions

Present law provides a sales and use tax exemption for certain agricultural inputs for commercial farmers, and provides certain requirements to meet the definition of "commercial farmer".

Proposed law expands the definition of commercial farmer to include landowners who are active participants in a commercial farming operation. Proposed law requires the taxpayer to demonstrate active participation by the reporting of farm income and expenses via the federal Schedule F form in order for the Secretary to make a determination that the taxpayer will be considered a commercial farmer.

Effective July 1, 2019.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

Proposed law would expand the definition of commercial farmer to explicitly include a landowner who is an active participant in a commercial farming operation.

LDR reports that current practice is adherence to IRS standards that consider rental income from farmland as farm income, if the landowner is significantly and materially involved in the farm commodity production. Income received for the use of farmland by *another person or entity* is generally considered rental income. Commercial farmer status is verified by requiring a report of farm income and expenses on Schedule F, which requires the landowner to be materially involved in the production of farm commodities.

LDR already certifies active participants in commercial farm operations as described above, and reports that it is unclear how many additional applications would be approved due to proposed law. To the extent that additional applications for commercial farmer certification are approved, general fund and local revenues would decrease.

As the requirement for an actively-participating landowner to qualify as a commercial farmer would not be significantly changed, a material impact on general fund and local revenues is not anticipated.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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