

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 330** HLS 23RS 681
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 12, 2023 1:56 PM **Author:** JOHNSON, MIKE
Dept./Agy.: Revenue **Analyst:** Deborah Vivien
Subject: State and local sales tax exemption for ag fencing & trailers

TAX/SALES-USE-EXEMPT OR DECREASE GF RV See Note Page 1 of 2
 Exempts from state and local sales and use tax agricultural fencing materials and trailers acquired by commercial farmers

Current law provides a state sales tax rebate for sales tax paid for agricultural fences purchased by commercial farmers certified on or before 1/1/22 to repair fences located in declared disaster areas following the 2020 and 2021 hurricanes. Purchases must be made by 12/31/22 and applications submitted by 12/31/23. Any portion of fencing ultimately paid by insurance or state/federal funds is not eligible for the rebate, which may only be claimed after fencing repairs are complete.

Proposed law repeals current law on 8/1/24 and exempts state and local sales tax on all purchases, leases or rentals of agricultural fencing and trailers by commercial farmers. Any fencing purchases that receive the current storm rebate are not eligible. The exemption does not expire.

The proposed exemption is effective on 8/1/23.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	\$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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total		\$0	\$0	\$0	\$0	\$0

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Annual Total						

EXPENDITURE EXPLANATION

The Department of Revenue indicates that implementation costs of \$51,360 will be incurred for the redesign of existing exemption forms, development of a new exemption form and the institution of new sales tax codes with computer system modifications to track the exemption. OMV would require about \$3,500 to program the system for a trailer exemption. LFO believes that the departments can absorb this amount within its current budget but may require additional resources if the aggregate impact of all bills enacted during this session is substantive.

REVENUE EXPLANATION

The proposed law can only serve to lower state and local sales tax revenue as the exemption includes purchases, leases and rentals of all fencing and all trailers by commercial farmers. **With the uncertainty in the utilization and coverage of the exemption, the magnitude of the decrease in state and local sales tax collections cannot be determined, but is likely to be in the millions, since a wide variety of fencing or trailer purchases may be eligible. The bill contains no cost caps in total or by purchase.** The reduction in state funds will occur in the state general fund, the tourism and promotion district (CRT) and economic development dedicated funds (LED). Local funds will be reduced by a similar amount as state funds, disbursed by the point of purchase.

This exemption expands significantly on the current rebate offered to commercial farmers rebuilding fencing in declared disaster areas from 2020 and 2021. The bill mandates a state and local sales tax exemption of all fencing materials, including decorative fencing, and the purchase, lease or rental of all trailers purchased by commercial farmers since there is no way to document their use in agricultural production or to transfer farm products (show horse trailers may fit this category). There is no provision in the bill excluding damages covered by insurance, emergency assistance or other assistance and no constraining certification dates for the commercial farmers claiming the exemption. The bill does disallow a dual claim for this exemption and any claims under the current storm-damaged fencing rebate that is repealed by this bill, though LDR has not received any rebate requests to date.

Since the proposed law includes an exemption handled by the vendor, instead of a rebate handled by the department, it is not clear what would be required of a vendor in determining whether to allow the exemption at the point of sale. The burden and liability would be with the vendor to determine exemption eligibility, but presumably it would require only a commercial farmer certificate and any materials required for fencing such as gates, clamps, etc.

(Continued on page 2)

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}

Alan M. Boxberger
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Interim Legislative Fiscal Officer



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CONTINUED EXPLANATION from page one:

Revenue Explanation (Continued from page 1)

POTENTIAL MAGNITUDE

LDR reports 8,690 certified commercial farmers that would be eligible for the exemption. In an attempt to gauge potential magnitude for livestock fencing (the most likely ag fencing), the LA Dept. of Agriculture estimates about 125 million linear feet of perimeter cattle fencing in the state with a 50% markup for crossfencing based on 2 acres per head assuming 475,000 brood cows in the state. Assuming an average cost of \$3/linear foot (cost is not limited in the bill) and a 5% annual fencing replacement, which could increase with certain weather events, state general fund revenue would decrease by \$1.2 M at 4.45% and local revenue by \$1.1 M at 4%. Should more than 5% of fencing be replaced or new or more expensive fencing be purchased, state general fund would decrease further. Purchases of fencing for other types of livestock or agricultural purposes, including horses, crops, hunting, etc., would further reduce revenue.

OMV reports that farm trailer licenses can be purchased for a 4 year renewal cycle at \$12.00, however, it is not mandatory that farmers purchase this type of plate. It is possible that a farmer could purchase a standard trailer plate in lieu of a farm trailer plate, but there is no data to determine what percentage this would entail. Currently, the state has 75 registered farm trailers. Thus, the more realistic figure for estimating impact is the 3 year average of the number of new trailer licenses (78,270) with associated state sales tax of \$25.5 M. Data to tie these sales to the 8,690 certified commercial farmers is not available. For illustrative purposes, assuming 25% of trailer purchases are by certified farmers would imply a state revenue decrease of \$6.4 M and a local impact of about the same amount, disbursed by location of registration. These figures include trailers as defined in the bill as "a vehicle without motive power designed for carrying property or passengers wholly on its own structure, drawn by motor vehicle which carries no part of the weight and load of the trailer on its own wheels and having two or more load carrying axles", like certain semi trailers, pull-behind campers, agricultural and other trailers. According to OMV, boat trailers are licensed separately.

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[X] 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}

Signature of Alan M. Boxberger
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