



Legislative  
Council Staff

*Nonpartisan Services for Colorado's Legislature*

**FINAL  
FISCAL NOTE**

|                         |   |                        |   |
|-------------------------|---|------------------------|---|
| <b>Drafting Number:</b> | LLS 19-0803                               | <b>Date:</b>           | August 5, 2019  |
| <b>Prime Sponsors:</b>  | Rep. Pelton; Valdez D.<br>Sen. Sonnenberg | <b>Bill Status:</b>    | Signed into Law   |
|                         |   | <b>Fiscal Analyst:</b> | Meredith Moon   303-866-2633<br>Meredith.Moon@state.co.us |

**Bill Topic:** EXPAND FARM EQUIPMENT SALES AND USE TAX EXEMPTION

**Summary of Fiscal Impact:**

|   |   |
|---|---|
| <input checked="" type="checkbox"/> State Revenue | <input checked="" type="checkbox"/> TABOR Refund                          |
| <input type="checkbox"/> State Expenditure        | <input checked="" type="checkbox"/> Local Government ( <i>potential</i> ) |
| <input type="checkbox"/> State Transfer           | <input type="checkbox"/> Statutory Public Entity                          |

This bill expands the definition of farm equipment for sales tax exemption purposes to include ear tags and ear tag scanners for food animals or animals used in the production of food. It reduces state revenue on an ongoing basis.

**Appropriation Summary:** No appropriation is required.

**Fiscal Note Status:** The final fiscal note reflects the enacted bill.

**Table 1  
State Fiscal Impacts Under HB 19-1162**

|                     |                     | FY 2019-20 | FY 2020-21 |
|---------------------|---------------------|------------|------------|
| <b>Revenue</b>      | <b>General Fund</b> | (\$64,200) | (\$77,000) |
| <b>Expenditures</b> |                     | -          | -          |
| <b>Transfers</b>    |                     | -          | -          |
| <b>TABOR Refund</b> | <b>General Fund</b> | (\$64,200) | -          |

## **Summary of Legislation**

Beginning on September 1, 2019, ear tags and ear tag scanners used to identify or track animals raised by farm operators for food or in the production of food will be exempt from state sales and use tax. Under current law, cow identification systems and transponders are already exempted for dairy cows.

## **Background**

The most common form of animal identification is the ear tag, which may or may not be electronic. This is typically a USDA-approved identification that may stay with the animal throughout its life. Ear tags identify an animal with a 15-digit number, and are required for tracking animals that cross state lines, are exported, or for disease-tracking purposes. Electronic ear tags also have a 15-digit identification number, but also store information about the animal electronically. When read by a scanner, information about the animal, including health information, is more easily tracked. Matched pair ear tags include one ear tag and one electronic ear tag as a set.

In 2012, there were approximately 11,570 cattle producers in the state reporting sales, according to the U.S. Department of Agriculture's Agricultural Census. During 2017, the calf crop in the state totaled about 830,000 calves, while the number of hogs marketed was 600,000.

## **Assumptions**

Based on information from industry contacts, approximately 30 percent of the population of animals for food production is assumed to be tagged with an electronic identification tag, while the remainder is assumed to be tagged with a non-electronic ear tag. This population primarily consists of cattle and does not include hogs. The hog population marketed each year is assumed to be tagged with a non-electronic ear tag.

## **State Revenue**

This bill is expected to reduce General Fund revenue by about \$64,200 in FY 2019-20 and by \$77,000 in FY 2020-21, with similar reductions in future years. The lower revenue impact in FY 2019-20 is a result of the exemption going into effect in September. An estimated \$2,645,000 in equipment purchases drive this revenue impact. To the extent that sales differ from the assumptions used in this fiscal note, actual revenue impacts will be higher or lower.

## **TABOR Refund**

This bill reduces state revenue by about \$64,200 in FY 2019-20, which will reduce the amount of money required to be refunded under TABOR based on Legislative Council Staff's March 2019 forecast. Since the bill reduces revenue to the General Fund and the refund obligation by equal amounts, there is no net impact on the amount of money available in the General Fund for the budget. However, the bill will reduce money for the General Fund budget in the future during years when the state does not collect revenue above the TABOR limit. A TABOR refund is not expected for FY 2020-21. State revenue subject to TABOR is not estimated for years beyond FY 2020-21.

## Local Government

Counties and municipalities may adopt an ordinance to exempt farm equipment under this bill. In the event that an exemption is adopted as a result of this bill, there will be a revenue decrease to local governments.

## Effective Date

This bill was signed into law by the Governor on May 23, 2019, and took effect August 2, 2019.

## State and Local Government Contacts

Agriculture  
Municipalities  
Revenue

Counties  
Regional Transportation District