

Second Regular Session
Seventy-second General Assembly
STATE OF COLORADO

DRAFT
10.10.19

BILL 9

LLS NO. 20-0232.01 Pierce Lively x2059

INTERIM COMMITTEE BILL

Tax Expenditure Evaluation Interim Study Committee

BILL TOPIC: "Farm Close-out Sales Tax Exemption"

A BILL FOR AN ACT

101 **CONCERNING THE REPEAL OF THE STATE SALES TAX EXEMPTION FOR**
102 **FARM CLOSE-OUT SALES.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov/>.)

Tax Expenditure Evaluation Interim Study Committee. Under current law, the sales tax exemption for farm close-out sales exempts from sales tax all purchases made at farm close-out sales, including equipment, vehicles, and other physical property, that is used to carry out agricultural operations. The bill repeals this sales tax exemption.

*Capital letters or bold & italic numbers indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.*

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1. Legislative declaration.** (1) The general assembly
3 finds and declares that:

4 (a) The sales tax exemption for farm close-out sales exempts from
5 sales tax all purchases made at farm close-out sales, which are sales of an
6 outgoing farmer's or rancher's tangible personal property, including
7 equipment, vehicles, and other physical property, that is used to carry out
8 agricultural operations.

9 (b) Most sales exempted from state sales tax under the sales tax
10 exemption for farm close-out sales are also exempted from the state sales
11 tax under other state sales tax exemptions.

12 (c) Sales of farm equipment and most farm supplies are exempt
13 from state sales tax so long as the equipment and supplies are used for
14 farm operation.

15 (d) The majority of farm close-out sales that are not exempt from
16 the state sales tax under a sales tax exemption other than the the sales tax
17 exemption for farm close-out sales are sales of items not used for farm
18 operation or sales of on-road motor vehicles.

19 (e) Only sales of tangible personal property that were previously
20 used by a farmer or rancher in his or her farming or ranching operations
21 qualify for the farm close-out sales tax exemption. This creates an
22 opportunity for fraud.

23 (2) Therefore, it is the intent of the general assembly to simplify
24 the administration of taxes for the state of Colorado by repealing tax
25 expenditures that are mainly redundant and are open to fraud.

26 **SECTION 2.** In Colorado Revised Statutes, 39-26-716, **amend**

1 (4) introductory portion and (4)(a) as follows:

2 **39-26-716. Agriculture and livestock - special fuels -**
3 **definitions.** (4) The following shall be exempt from taxation under ~~the~~
4 ~~provisions of parts 1 and 2 of this article~~ ARTICLE 26:

5 (a) (I) All sales and purchases of livestock AND all sales and
6 purchases of live fish for stocking purposes ~~and all farm close-out sales~~
7 and the storage, use, or consumption of such property;

8 (II) NOTWITHSTANDING ANY PROVISION OF LAW TO THE
9 CONTRARY, ON OR AFTER JANUARY 1, 2021, FOR ANY LOCAL GOVERNMENT
10 OR POLITICAL SUBDIVISION OF THE STATE THAT LEVIES A SALES OR USE
11 TAX BASED ON THE SALES OR USE TAX LEVIED BY THE STATE PURSUANT TO
12 THIS ARTICLE 26, ALL FARM CLOSE-OUT SALES SHALL BE EXEMPT FROM
13 THE SALES OR USE TAX OF SUCH LOCAL GOVERNMENT OR POLITICAL
14 SUBDIVISION, UNLESS THE LOCAL GOVERNMENT OR POLITICAL
15 SUBDIVISION EXPRESSLY SUBJECTS SUCH SALE TO ITS SALES OR USE TAX
16 FOR THE APPLICABLE PERIOD AT THE TIME OF ADOPTION OF ITS INITIAL
17 SALES OR USE TAX ORDINANCE OR RESOLUTION OR SUBSEQUENT
18 AMENDMENT THERETO.

19 **SECTION 3. Act subject to petition - effective date -**
20 **applicability.** (1) This act takes effect at 12:01 a.m. on the day following
21 the expiration of the ninety-day period after final adjournment of the
22 general assembly (August 5, 2020, if adjournment sine die is on May 6,
23 2020); except that, if a referendum petition is filed pursuant to section 1
24 (3) of article V of the state constitution against this act or an item, section,
25 or part of this act within such period, then the act, item, section, or part
26 will not take effect unless approved by the people at the general election
27 to be held in November 2020 and, in such case, will take effect on the

- 1 date of the official declaration of the vote thereon by the governor.
- 2 (2) This act applies to sales taxes levied on or after January 1,
- 3 2021.