

Farm Close-Out Sales Tax Exemption



OFFICE OF THE STATE AUDITOR

Tax Expenditure Evaluation • May 2023 • 2023-TE9

C O L O R A D O

The Farm Close-Out Sales Tax Exemption exempts property previously used in farming or ranching operations from sales tax when the items are purchased at a farm close-out sale. Farm close-outs occur when a farmer or rancher is abandoning their farming or ranching operation and attempting to make full and final disposition of all of their tangible personal property used in the operation.

The expenditure is likely meeting its purpose because it is being used by the state’s farming and ranching industry. However, the application of the exemption to certain items can be inconsistent and the cost savings vary based on local sales and use tax policies.

- Potential beneficiaries are generally aware of and receiving the exemption, though there may be inconsistencies in how the exemption is applied, such as on smaller equipment that could be used for agricultural or non-agricultural purposes.
- Other state-level exemptions cover many of the same items that are covered by the Farm Close-Out Sales Tax Exemption.
- The exemption’s cost savings to the buyer vary based on the county and municipality where the buyer takes possession of the equipment and the local sales tax rate.
- While stakeholders told us they use the exemption, we could neither determine the extent to which it is used during eligible close-out sales nor how often it is applied.

Policy Considerations

We did not identify any new policy considerations in this evaluation.

Tax Type:	Sales	Year Enacted:	1945
Expenditure Type:	Exemption	Repeal/Expiration date:	None
Statutory Citation:	Section 39-26-716(4)(a), C.R.S.	Revenue Impact (2020):	We could not determine

Purpose given in statute or enacting legislation? **No**

