



Legislative
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FISCAL NOTE

Drafting Number: LLS 19-0803
Prime Sponsors: Rep. Pelton

Date: February 8, 2019
Bill Status: House Finance
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Bill Topic: EXPAND FARM EQUIPMENT SALES & 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 identification and tracking equipment 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: This fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 19-1162

		FY 2019-20	FY 2020-21
Revenue	General Fund	(\$12,000)	(\$12,000)
Expenditures		-	-
Transfers		-	-
TABOR Refund	General Fund	(\$12,000)	-

Summary of Legislation

Beginning on July 1, 2019, equipment 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. GPS tracking devices for animals have more recently been developed. These devices allow farmers to track livestock locations, behavioral patterns, and rumination.

Assumptions

Approximately 200 agricultural producers are assumed to claim the sales tax exemption, the majority of whom are expected to be cattle producers. By comparison, the total number of claimants of the farm equipment exemption in 2017 was 435. Additionally, this fiscal note assumes that identification equipment may be purchased primarily for the calf population each year, as existing herds typically already have identification.

State Revenue

This bill is expected to reduce General Fund revenue by about \$12,000 in both FY 2019-20 and FY 2020-21, with similar reductions in future years. An estimated \$418,000 in equipment purchases drive this revenue impact, including identification tags, electronic identification tags and readers, and GPS tracking devices and equipment. To the extent that sales differ from the assumptions used in this fiscal note, actual revenue impacts will be higher or lower. The purchase of more advanced and expensive tracking devices may increase over time as new technology is developed; however, the cost for this equipment may gradually decrease over time as it becomes more prevalent.

TABOR Refund

This bill reduces state revenue by about \$12,000 in FY 2019-20, which will reduce the amount of money required to be refunded under TABOR. 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. In the event that an exemption is adopted as a result of this bill, there will be revenue decrease to local governments.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Agriculture
Municipalities
Revenue

Counties
Regional Transportation District