



Legislative  
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*Nonpartisan Services for Colorado's Legislature*

**HB 19-1162**

**REVISED  
FISCAL NOTE**

(replaces fiscal note dated February 8, 2019)

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

**Date:** February 20, 2019  
**Bill Status:** House Rural Affairs  
**Fiscal Analyst:** Meredith Moon | 303-866-2633  
Meredith.Moon@state.co.us

**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, but is revised to reflect new information that affects the fiscal impact.

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

		<b>FY 2019-20</b>	<b>FY 2020-21</b>
<b>Revenue</b>	<b>General Fund</b>	(\$130,000)	(\$130,000)
<b>Expenditures</b>		-	-
<b>Transfers</b>		-	-
<b>TABOR Refund</b>	<b>General Fund</b>	(\$130,000)	-

## **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. Branding equipment is also used for owner identification purposes.

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. The use of GIS tracking devices is assumed to be used by 1 percent of cattle producers, and approximately 2 percent of cattle producers are assumed to invest or re-invest in branding equipment and claim the exemption under the bill each year.

## **State Revenue**

This bill is expected to reduce General Fund revenue by about \$130,000 in both FY 2019-20 and FY 2020-21, with similar reductions in future years. An estimated \$4,495,000 in equipment purchases drive this revenue impact, including branding equipment, 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 \$130,000 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