

FARM CLOSE-OUT SALES TAX EXEMPTION

EVALUATION SUMMARY



SEPTEMBER 2018
2018-TE3

THIS EVALUATION IS INCLUDED IN COMPILATION REPORT SEPTEMBER 2018

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| YEAR ENACTED | 1945 |
| REPEAL/EXPIRATION DATE | None |
| REVENUE IMPACT | Could not determine |
| NUMBER OF TAXPAYERS | Could not determine |
| AVERAGE TAXPAYER BENEFIT | Could not determine |
| IS IT MEETING ITS PURPOSE? | Yes, but with variable impact based on local taxes |

WHAT DOES THIS TAX EXPENDITURE DO?

Sales of property used for farming or ranching by Colorado agricultural producers who are abandoning operations and holding a farm close-out sale, either by auction or private sale, are not subject to state sales tax and some local sales taxes under this exemption.

WHAT DID THE EVALUATION FIND?

The exemption appears to be meeting its purpose, primarily because it eliminates the local sales taxes that would otherwise apply to farm close-out sales in many local jurisdictions, although this impact varies widely depending on local tax policies. The exemption has a limited impact on state sales tax liability for most buyers because most of the transactions at farm close-out sales are now exempt from state sales tax under other tax provisions enacted since the Farm Close-Out Sales Tax Exemption was created.

WHAT IS THE PURPOSE OF THIS TAX EXPENDITURE?

Statute does not explicitly state a purpose for the Farm Close-Out Sales Tax Exemption. Based on statutory language, we inferred that the purpose was to encourage the purchase and transfer of used agricultural equipment and supplies from agricultural producers who are abandoning operations to new and ongoing agricultural producers by reducing the cost to buyers.

WHAT POLICY CONSIDERATIONS DID THE EVALUATION IDENTIFY?

The General Assembly may wish to review this expenditure's exemption of on-road motor vehicles sold at farm close-out sales from sales tax, because this appears inconsistent with other tax expenditures that are intended to reduce the sales tax liability of farmers and ranchers.