

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2015 REGULAR SESSION**

MEASURE

2015 BR NUMBER 0357

HOUSE BILL NUMBER 220

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE An ACT relating to tangible personal property used in the production of equine.

SPONSOR Representative Ryan Quarles

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2014-2015	2015-2016	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		(\$34,600,000)	(\$34,600,000)
EXPENDITURES			
NET EFFECT		(\$34,600,000)	(\$34,600,000)

() indicates a decrease/negative

MEASURE'S PURPOSE: This proposal, if enacted, will exempt from the 6% sales and use tax the sale or purchase of the following items:

1. Feed and feed additives for equine;
2. Seed and commercial fertilizer applied to land, the products of which constitute food for equine;
3. Insecticides, fungicides, herbicide, rodenticides, and other farm chemicals used in raising or feeding equine;
4. New and used farm machinery including attachments , repair parts and replacement parts, used exclusively and directly for raising and feeding equine for sale;
5. On-farm facilities used exclusively for raising equine, including equipment machinery, attachments, repair and replacement parts, and materials incorporated into the construction, renovation, or repair of the facilities; and
6. Gasoline, special fuels, liquefied petroleum gas, and natural gas used exclusively and directly to operate on-farm equine facilities.

PROVISIONS/MECHANICS: Amends KRS 139.480 to exempt feed and feed additives,

seeds, commercial fertilizers, farm chemicals, farm machinery, water, fuels, and on-farm facilities used in the production of equine from the sales and use tax; amends KRS 130.470 to conform; EFFECTIVE July 1, 2015.

FISCAL EXPLANATION: The proposal, if enacted, will have a negative impact to the General Fund of approximately \$34,600,000 for fiscal year 2015-2016 and will likely increase as the cost of the exempted items increase over time.

The fiscal estimates that have been developed over the past fifteen years that involve expanding the sales tax exemptions for the equine industry have been developed using data from the *Census of Agriculture*. This *Census* takes place every 5 years – the last of which was 2012.

Reliance on the *Census* data over time has been necessary since sales tax receipt data do not contain sufficient detail to identify the collections attributable to equine expenditures. In 2012, the University of Kentucky released the results from their 2011 Equine Survey, which contains the most comprehensive data available pertaining to Kentucky’s equine industry. To develop a fiscal estimate of BR 329, staff utilized data from the 2012 Kentucky Equine Survey and the 2012 Census of Agriculture.

HB 220 Estimated Fiscal Impacts

Category	FY 2016 Dollars	Est. Sales Tax Collections
Seed and Fertilizer	\$28,263,102	\$1,695,786
Hay, Feed, and Feed Additives	\$121,202,104	\$7,272,126
Insecticides, fungicides, etc.	\$33,178,424	\$1,990,705
Fuels	\$44,052,415	\$2,643,145
Equipment, Maintenance and Repair	\$255,040,296	\$15,302,418
On-farm Facilities (Fencing and Buildings)	\$95,060,474	\$5,703,628
TOTAL	\$576,796,816	\$34,607,809

Source: 2012 Kentucky Equine Survey, 2012 Census of Agriculture, and author’s calculations.

DATA SOURCE(S): 2012 Kentucky Equine Survey, 2012 Census of Agriculture, and author’s calculations.

PREPARER: Charlotte Quarles, A/R staff, Perry Nutt, staff economist **NOTE NUMBER:** 50

REVIEW: GMR **DATE:** 3/9/2015