

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

MEASURE

2015 BR NUMBER **0872**

HOUSE BILL NUMBER **345**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE AN ACT relating to sales and use tax on float bed trays.

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		(\$281,000)	(\$281,000)
EXPENDITURES			
NET EFFECT		(\$281,000)	(\$281,000)

() indicates a decrease/negative

MEASURE'S PURPOSE: This proposal, if enacted, will exempt the sale or purchase of float trays from the 6% sales and use tax if those trays are used in the production of crops as a business or in the production of food for human consumption. The exemption applies to sales or purchases made on or after July 1, 2015, and before July 1, 2019.

PROVISIONS/MECHANICS: Amends KRS 139.480 to exempt from sales and use tax the sale or purchase of float bed trays used in the production of crops as a business or in the production of food for human consumption. The exemption applies to sales or purchases made on or after July 1, 2015, and before July 1, 2019.

FISCAL EXPLANATION: HB 345 amends Kentucky's sales and use tax law to exempt the sale or purchase of float trays used in the production of crops as a business or in the production of food for human consumption. The exemption applies to sales or purchases made on or after July 1, 2015, and before July 1, 2019. For purposes of this analysis, the following assumptions were made:

68,000 acres of tobacco planted;
40 trays of plants per acre;
Annual replacement rate—four out of five trays; and
Average cost of tobacco float tray \$1.79 each (before tax).

The estimated negative fiscal impact associated with exempting tobacco float trays from the sales and use tax is \$234,000.

Comparable data for vegetables was taken from the *2012 Kentucky Produce Planting and Marketing Intentions Grower Survey and Outlook* published by the University of Kentucky, and from other state agricultural experiment station reports. From these reports staff estimated the number of acres of melons (cantaloupe, honeydew, watermelon, etc.), lettuce, peppers and tomatoes planted in Kentucky that may have used a vegetable tray, the number of vegetable transplants per tray, the annual replacement rate, and the average cost of the vegetable float tray to be \$3.50 each (before tax). Based on the above assumptions, the preliminary estimate would be a negative impact to the General Fund of approximately \$47,000 for vegetable float trays.

On a combined basis, exempting float trays that are used in tobacco and vegetable production from the 6% sales and use tax would be approximately \$281,000 annually.

This proposal, if enacted, will result in a negative impact to the General Fund of approximately \$281,000 in FY 2015-2016 and each fiscal year thereafter.

DATA SOURCE(S): 2012 Kentucky Produce Planting and Marketing Intentions Grower Survey and Outlook published by the University of Kentucky; state agricultural experiment station reports; Bob Pearce, UK Tobacco Specialist; and Southern States, Owenton Cooperative
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REVIEW: GMR DATE: 2/24/2015