

CONFIDENTIAL
Legislative Bill Review Form: 2016

Bill Number: H.864

Name of Bill: An act relating to agricultural exemption from Vermont's sales and use tax

Agency/Dept: Tax

Author(s) of Bill Review: Candace Morgan

Date of Bill Review: 04/28/2016

Related Bills & Key Players: House and Senate Committees on Agriculture, AAFM, Vermont Farm Bureau

Status of Bill: As passed by both

Recommended Position: Support

Analysis of Bill

1. Summary of bill and issue it addresses. *Describe what the bill is intended to accomplish and why.*

The bill represents a legislative resolution to the ongoing issues between Tax and those in the agricultural community. As a result of several very public audits years ago, there has been continued frustration in the world of agricultural equipment and supplies dealers and farmers for lack of clarity around the sales and use tax exemption for agricultural machinery and equipment. 32 V.S.A. § 9741(25).

This bill, as passed both House and Senate, simply changes the language from directly and exclusively to predominately. It also changes the percentage from 96% of use to 75%+ of use. This allows for more occasional uses that are not quite considered agricultural use to not kick a piece of equipment out of the exemption. This bill takes effect July 1, 2016.

2. Is there a need for this bill? *Please explain why or why not.*

Yes. While much of what the agricultural community is looking for in clarity can be accomplished through rulemaking and outreach, this bill makes the one change that we could not accomplish through those processes. The House Committee on Agriculture decided that this bill was needed to achieve what they were looking for.

3. What are likely to be the fiscal and programmatic implications of this bill for this department?

JFO estimated a minimal amount of General Fund impact to this change (less than \$100,000). Due to lack of compliance currently, there could potentially be greater revenue collected as a result of the outreach campaign we will implement this summer. The House Committee recognized that there were items they were leaving taxable and insisted that the community is seeking clarity over a blanket exemption. We will work with folks involved to produce appropriate guidance this summer.

4. What might be the fiscal and programmatic implications of this bill for other departments in state government, and what is likely to be their perspective on it?

The passage of this bill will result in a fair amount of work for Tax this summer - redrafting our sales and use tax regulations, performing outreach and education both externally and internally, redesigning forms, etc.

5. What might be the fiscal and programmatic implications of this bill for others and what is likely to be their perspective on it? *(e.g., public, municipalities, organizations, business, regulated entities)*

Agricultural-related businesses will see outreach on an issue that has caused much confusion for years. There might be some pushback when we list out the things that are taxable.

6. Other Stakeholders

6.1 Who else is likely to support the proposal and why?

Farm Bureau, AAAM, other agricultural-related businesses

6.2 Who else is likely to oppose the proposal and why?

7. Rationale for recommendation: *Justify recommendation stated above.*

While we would probably prefer no change in the sales and use tax statute, this bill was important to gaining a lot of ground on an issue that has plagued the last 3-4 legislative sessions. Everyone involved in this effort is appreciative of a willingness to move forward and change.

8. Specific modifications that would be needed to recommend support of this bill: *Not meant to rewrite bill, but rather, an opportunity to identify simple modifications that would change recommended position.*

N/A

9. Will this bill create a new board or commission AND/OR add or remove appointees to an existing one? If so, which one and how many? *This is simply expanded language to indicate whether the bill would also add or remove appointees to existing board or commission, under the administration's control.*

N/A

Secretary/Commissioner has reviewed this document. Name: Mary Peterson

Date: 04/28/16