

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1516

Bill Subtitle: TO CREATE AN EXEMPTION FROM THE SALES AND USE TAX FOR UTILITIES USED BY PEANUT FACILITIES.

Basic Change :

Representative Ratliff

Senator R. Thompson

This bill would enact a sales and use tax exemption for the sale of utilities used by peanut facilities to clean, dry and store peanuts. The proposal defines the types of "utilities" that are subject to exemption to include liquefied-petroleum gas (LPG), natural gas and electricity. Separate metering for the eligible utilities is required. The tax exemption would be effective on the first day of the calendar quarter following the effective date of the act.

Revenue Impact :

FY14 Tax Decrease

Total Impact to State Revenues - \$15,200
(Effective 10/1/2013 – 8 Months of Reduced Deposits)

-\$ 10,176 --- State General Revenue (4.5%)
-\$ 1,978 --- Educational Adequacy (.875% tax)
-\$ 1,131 --- Property Tax Relief Trust Fund (.5%)
-\$ 283 --- Conservation Tax (.125%)
-\$ 1,131 --- Highway Fund (.5%)
-\$ 0 --- Educational Excellence Trust Fund
-\$ 0 --- Educational Adequacy (GR transfer)
-\$ 350 --- State Central Services
-\$ 152 --- Constitutional Officers

Total Impact to City and County Sales Tax -\$2,500

FY15 Tax Decrease

Total Impact to State Revenues - \$23,500

-\$ 14,166 --- State General Revenue (4.5%)
-\$ 3,059 --- Educational Adequacy (.875% tax)
-\$ 1,748 --- Property Tax Relief Trust Fund (.5%)
-\$ 437 --- Conservation Tax (.125%)
-\$ 1,748 --- Highway Fund (.5%)
-\$ 1,439 --- Educational Excellence Trust Fund
-\$ 127 --- Educational Adequacy (GR transfer)
-\$ 541 --- State Central Services
-\$ 235 --- Constitutional Officers

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Taxpayer Impact :

Taxpayers selling utilities to eligible purchasers would be required to reprogram accounting systems to allow for the exemption. Eligible peanut facilities would be required to obtain the necessary certificate from DFA to be entitled to the exemption.

Resources Required :

None

Time Required :

Adequate time is allowed in the proposal

Procedural Changes :

DFA would have to develop the necessary certification process and make computer programming changes. Rules would need to be adopted.

Other Comments :

None

Legal Analysis :

This bill exempts electricity, LP gas, and natural gas used by a peanut facility from sales and use tax. A peanut facility is a facility that dries and cleans harvested peanuts, grades peanuts, or stores dried peanuts before they are delivered to a shelling facility.

DFA is required to promulgate a rule to implement the new exemption. DFA has the discretion to prepare a certification form that must be executed by an eligible taxpayer prior to receiving the exemption.

The exemption would be available beginning on the first day of the calendar quarter following the effective date of the act. The bill would become effective 90 days after adjournment.