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REVISED FISCAL NOTE

(replaces fiscal note dated April 29, 2019)

Drafting Number: LLS 19-1115
Prime Sponsors: Rep. Arndt; McKean, Sen. Sonnenberg

Date: May 1, 2019
Bill Status: Senate Appropriations
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Bill Topic: WHOLESALE SALES AGRICULTURAL FERTILIZER TAX EXEMPTION

- Summary of Fiscal Impact: State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, Statutory Public Entity

This bill includes fertilizer and spray adjuvants used for agricultural purposes as wholesale sale products, thereby exempting them from the state sales tax.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This revised fiscal note reflects the reengrossed bill.

Table 1
State Fiscal Impacts Under HB 19-1329

Table with 4 columns: Category, General Fund, FY 2019-20, FY 2020-21. Rows include Revenue, Expenditures, Transfers, and TABOR Refund.

Summary of Legislation

This bill includes the sale of fertilizer and spray adjuvants for use in agricultural and livestock production as wholesale sale products, which exempts them from state sales and use tax. Specialty fertilizers are not included in this exemption; however, greenhouses, nurseries, and hydroponic facilities are no longer included under the definition of specialty fertilizers. Agricultural commodities exempt under this bill do not include any products under Articles 11 and 12 of Title 44, which refer to marijuana production.

Background

Until 2014, fertilizer for agricultural producers was exempt from state sales tax based on rules promulgated by the Department of Revenue. The exemption clarified in the rules was removed in 2014, leaving no statutory or rules-based language to exempt fertilizer from state sales tax.

Based on the 2017 U.S. Department of Agriculture's Agricultural Census, there was \$461.0 million in total fertilizer and chemical expenses in 2017 in Colorado, down from \$493.8 million in the 2012 census.

Assumptions

Under the 2014 rule change, approximately 89 percent of agricultural producers are currently receiving a sales tax exemption upon the purchase of fertilizer for agricultural use based on the State Auditor's 2019 report , Agricultural Inputs, Sales Tax Exemptions. It is assumed that the same percentage of producers are receiving an exemption on spray adjuvants.

State Revenue

This bill will decrease General Fund revenue by \$792,500 in FY 2019-20 and FY 2020-21, with similar reductions in future years. This includes only the sales tax revenue for those agricultural producers who are presumed to not be receiving the exemption currently. This revenue is subject to TABOR. No TABOR refund is expected in FY 2019-20 or FY 2020-21. This bill will reduce TABOR refunds in future years for which a refund occurs.

Local Government

This bill will decrease sales tax revenue for state collected local taxing jurisdictions and special districts that have adopted the state's sales tax base depending on the amount of fertilizer and spray adjuvants sold in each jurisdiction.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Agriculture
Revenue

Counties
Special Districts

Municipalities
Regional Transportation District