



Legislative
Council Staff

Nonpartisan Services for Colorado's Legislature

HB 20-1115

FINAL FISCAL NOTE

Drafting Number:	LLS 20-0537	Date:	October 8, 2020
Prime Sponsors:	Rep. Catlin; McLachlan Sen. Coram	Bill Status:	Postponed Indefinitely
		Fiscal Analyst:	Meredith Moon 303-866-2633 Meredith.Moon@state.co.us

Bill Topic: **SALES TAX EXEMPTION FOR FARM FENCING MATERIAL**

Summary of Fiscal Impact:	<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill would have exempted fencing material used in a farm operation from state sales and use tax. It would have reduced state revenue on an ongoing basis beginning in FY 2021-22.

Appropriation Summary: No appropriation would have been required.

Fiscal Note Status: This fiscal note represents the introduced bill. This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

**Table 1
State Fiscal Impacts Under HB 20-1115**

		FY 2020-21	FY 2021-22	FY 2022-23
Revenue	General Fund	-	(\$0.4 million - \$0.7 million)	(\$0.8 million - \$1.3 million)
Expenditures		-	-	-
Transfers		-	-	-
TABOR Refund	General Fund	-	-	-

Summary of Legislation

This bill exempts fencing material from sales and use tax used in a farm operation by agricultural or livestock producers. This bill also defines fencing material to include: barbed wire, smooth wire, strainers, tensioners, fencing staples, "T" posts and wire clips, treated round posts, prefabricated welded fence panels, agricultural corral-type gates, electric fencing posts, solar panels for electric fences, ribbon, rope, and braided wire.

Background

Fencing material is not exempt from state sales and use tax under current law; however, some retailers have interpreted the farm equipment definition in Section 39-26-716 (1)(d), C.R.S. to include fencing material. Therefore, some agricultural or livestock producers have been receiving an exemption when purchasing fencing material for their farm operation.

State Revenue

This bill will decrease state revenue by between \$0.4 million and \$0.7 million in FY 2021-22 (partial-year impact) and by between \$0.8 million and \$1.3 million in FY 2022-23. This revenue is subject to TABOR.

This revenue estimate assumes that a mile of fencing costs on average \$6,000 and that it will last for about 20 years, with average annual maintenance costs of \$300. According to the 2017 Census of Agriculture for Colorado by the U.S. Department of Agriculture, there were 38,893 farms in the state, 12,682 of which had a cattle herd on the land. It is also assumed that approximately one-third of agriculture and livestock producers currently receive a sales tax exemption when purchasing fencing material for their farm operations.

State Expenditures

This bill may increase the workload for the Department of Revenue to report tax expenditure information in its biannual Tax Profile and Expenditure Report, and for the Department of Personnel and Administration if the volume of scanned images related to this exemption increases. Both workload increases can be accomplished within existing appropriations.

TABOR refund. For FY 2020-21 and FY 2021-22, the bill decreases state revenue subject to TABOR as noted in the State Revenue section of this fiscal note. The May 2020 LCS forecast anticipates that state revenue subject to TABOR will remain below the TABOR limit through at least FY 2021-22; therefore, the bill is not expected to affect TABOR refunds paid from the General Fund. A forecast of state revenue subject to TABOR is not available beyond FY 2021-22.

Local Government

Local government revenue will decrease for those sales tax jurisdictions that choose to exempt farm equipment from their sales tax base.

Effective Date

This bill was postponed indefinitely by the House Finance Committee on May 28, 2020.

State and Local Government Contacts

Agriculture
Revenue
Personnel
Information Technology

Counties
Municipalities
Special Districts
Regional Transportation District