

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**May 20, 2011**

**TO:** Honorable Joe Straus, Speaker of the House, House of Representatives

**FROM:** John S O'Brien, Director, Legislative Budget Board

**IN RE: HB268** by Hilderbran (Relating to the exemption from sales and use taxes, including the motor vehicle sales and use tax, for timber and certain items used in or on a farm, ranch, timber operation, or agricultural aircraft operation.), **As Passed 2nd House**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB268, As Passed 2nd House: a positive impact of \$1,394,000 through the biennium ending August 31, 2013.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	\$320,000
2013	\$1,074,000
2014	\$1,112,000
2015	\$1,144,000
2016	\$790,000

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue Gain from <i>General Revenue Fund</i> 1	Probable Revenue Gain from <i>Cities</i>	Probable Revenue Gain from <i>Transit Authorities</i>	Probable Revenue Gain from <i>Counties and Special Districts</i>
2012	\$1,189,000	\$232,000	\$72,000	\$41,000
2013	\$1,225,000	\$239,000	\$75,000	\$42,000
2014	\$1,263,000	\$246,000	\$77,000	\$43,000
2015	\$1,295,000	\$252,000	\$79,000	\$44,000
2016	\$1,325,000	\$258,000	\$81,000	\$45,000

Fiscal Year	Probable (Cost) from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2011
2012	(\$869,000)	2.0
2013	(\$151,000)	2.0
2014	(\$151,000)	2.0
2015	(\$151,000)	2.0
2016	(\$535,000)	2.0

**Fiscal Analysis**

The bill would amend Chapter 151 of the Tax Code, regarding the sales and use tax.

The bill would require purchasers of certain items used in an agricultural or timber operation to apply

for a registration number from the Comptroller's Office before claiming a sales and use tax exemption. The registration number must be shown on the purchaser's exemption certificate.

Persons applying for a registration number must be engaged in the production of agricultural products or timber for sale or in an agricultural aircraft operation as defined by 14 C.F.R. Section 137.3. An application for a registration number must be on a form prescribed by the Comptroller's Office, and provide the name and address of the business owned, the type of crops, livestock or other agricultural products sold, if applicable, and any other data the Comptroller deems necessary. Registration numbers would be subject to renewal every four years.

The bill would make conforming changes elsewhere in Chapter 151, and in Chapter 152, of the Tax Code.

The bill would amend Section 151.316 (a) by adding a new Subdivision (13) to exempt from sales and use tax tangible personal property incorporated into or attached to a dairy free stall barn or a dairy structure used solely for maternity purposes if the structure is located on a commercial dairy farm and is used exclusively for the production of milk.

This bill would take effect September 1, 2011.

### **Methodology**

The bill's provisions requiring a registration number when purchasing certain agriculture-related items, and when claiming an exemption, would deter some of the improper uses of exemption certificates identified by Comptroller's Office auditors. Data on the sales of items affected by the provisions of this bill were gathered from public and private sources; adjusted to represent the share of those sales not related to agriculture use, but using an exemption certificate; and extrapolated through 2016.

The administrative cost estimate reflects the funds that would be necessary to hire 2 FTEs and contract for seasonal employees to administer the agricultural exemption program, web development and programming, and security controls.

The proposed amendment to Section 151.316, regarding commercial dairy farms, is consistent with current administrative practice, and therefore would have no significant fiscal implications.

### **Technology**

There would be a one-time technology cost of \$323,000.00 in fiscal year 2012 for development, programming and project management.

### **Local Government Impact**

There would be a proportional gain of sales and use tax revenue to local taxing jurisdictions.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JOB, KK, SD