

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7209**

**BILL NUMBER:** HB 1091

**NOTE PREPARED:** Jan 25, 2011

**BILL AMENDED:** Jan 25, 2011

**SUBJECT:** Exempt Farm Drainage Components from Sales Tax.

**FIRST AUTHOR:** Rep. Gutwein

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:**  GENERAL  
 DEDICATED  
 FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill provides that a component of a farm drainage system is exempt from sales tax if a farmer acquires the component. It provides that equipment used to install, repair, or maintain a farm drainage system is exempt from sales tax if the equipment is acquired by a farmer.

**Effective Date:** July 1, 2011.

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* This bill will result in an increase in administrative costs for the DOR by requiring the DOR to revise Sales Tax forms as well as update computer software to incorporate the exemption. It is estimated that the DOR will be able to implement this provision with its existing level of resources.

**Explanation of State Revenues:** (Revised) *Impact on Sales Tax Revenue:* This bill would decrease Sales Tax revenue by an indeterminable amount. The bill exempts from Sales Tax a component of a farm drainage system purchased by a farmer and equipment used to install, repair, or maintain a farm drainage system if a farmer acquires the equipment. The impact on revenue will ultimately depend on the volume of sales of such items. Prices of such equipment could range from \$10,000 to \$400,000.

Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.670%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Local revenues will be impacted to the extent that a local unit receives

funds from the Public Mass Transportation Fund, the Commuter Rail Service Fund, or the Industrial Rail Service Fund.

**State Agencies Affected:** DOR.

**Local Agencies Affected:** Local units.

**Information Sources:** Ron Schlatter, Schlatters Inc, 219-567-9158.

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