

Sponsor Testimony HB 347

Rep. Jones

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Chairman Roemer, Vice Chair Lorenz. Ranking Member Troy and members of the House Ways and Means committee I would like to thank you for the opportunity to testify on behalf of HB 347.

The intent of HB 347 is to provide clarity to farmers when purchasing equipment using the existing agricultural sales and use tax exemption. There are two issues under the current exemption that this bill addresses.

Firstly, the exemption is automatically granted at the point of sale and later subject to an eligibility review by the Department of Taxation. This review is conducted by issuing a questionnaire months later that determines whether a piece of equipment passes the “direct use” test, meaning that the equipment is used directly on a saleable good. This causes many farmers to believe that have been granted the exemption when they leave the vendor, only to find out later they were not eligible and are required to pay the sales tax.

Secondly, this “direct use” test leaves out certain pieces of equipment that are frequently used in the regular course of agricultural business. One such example is a UTV. If a UTV is purchased with a pesticide sprayer already mounted on it, it may qualify for the exemption. If the pesticide sprayer is mounted on later, it would not qualify because it can not be used directly on a saleable good at the time of purchase. Additionally, there are many farming activities that can be

conducted with a UTV that are not directly on a saleable good, such as checking fencing or feeding livestock. The complete list of automatically exempted equipment is livestock trailers, flat trailers, utility trailers, UTVs, ATVs, subcompact tractors and compact tractors.

The agricultural sales and use tax exemption has been a great benefit to farmers for the entirety of its existence. For that reason, this bill changes no aspect of the existing exemption. HB 347 simply adds a list of equipment that is automatically granted the exemption without the use of the “direct use” test given the purchaser can produce their three most recent Schedule F farming profit and loss federal tax forms. This ensures that legitimate farmers purchasing equipment for use while conducting farming business, can benefit from the true intent of the exemption and avoid sales tax when purchasing farming equipment. For all other equipment not on the automatic exemption list, the agricultural sales and use tax exemption continues to operate as it does currently.

I thank you for your time and urge your support on HB 347.