



*Working together for Ohio farmers to advance
agriculture and strengthen our communities.*

**House Ways and Means Committee
HB 347 Proponent Testimony
Evan Callicoa, Director of State Policy
January 9th, 2024**

Chairman Roemer, Vice Chair Lorenz, Ranking Member Troy, and other members of the House Ways and Means Committee, thank you for the opportunity to provide proponent testimony on HB 347. This bill will help provide clarity around certain vehicles and trailers within the agricultural sales tax exemption, ensuring legitimate farming operations are able to take advantage of an important tax savings tool to our industry.

Ohio's agricultural sales tax exemption is a critical component to creating a business environment in Ohio that allows agriculture to produce the food we all consume. The exemption is narrowly defined, and serves to uphold the objective that a sales tax is not meant to be levied on a product's input or production components. An exemption like this helps provide predictability in costs for an industry that in many other areas is subject to high-cost variability and uncertainty with any given year.

Specifically, this bill would add a list of equipment to the narrow exemption that are often included in the daily operation of an agricultural business. The complete list of exempted equipment under the bill would include livestock trailers, flat trailers, utility trailers, UTVs, ATVs, subcompact tractors and compact tractors, all things that may have the primary purpose in this situation of being used to help an agricultural producer raise their product. Under Ohio law, the agricultural sales tax exemption applies to most items that will be primarily used, consumed or incorporated in the production of agricultural products for sale. The vehicles that will be "added" under HB 347 are products that have been in a gray area under the exemption, and sometimes qualify and other times don't. An example Representative Jones pointed out in his sponsor testimony is a UTV that already has a pesticide sprayer mounted on it may qualify for the exemption, but if that sprayer is not on the vehicle at the point of sale, the vehicle may not qualify. Providing clarity around these types of situations will allow for potential decreased costs in an already capital and cost-intensive industry.

It is very difficult to abuse the agricultural sales tax exemption as implemented and meets the legislative intent under which it was created. It is structured so that the only items purchased are those for use in the production of agricultural goods. The use of this exemption is strictly enforced. Farmers must currently provide a properly completed exemption certificate to their vendor and the vendor must retain the certificate as proof of the nontaxable sale. It is the obligation of the farmer to prove the purchases are being used directly in the production of a product for sale. If the Department of Taxation believes further investigation is necessary to



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prove “direct-use,” they are able to review the sale through an eligibility questionnaire that is sent to the farmer. Currently, this bill would alter that process only for the list of equipment provided under the bill, instead requiring a farmer to produce three years of IRS Schedule F documents, which document farm income, a more clear view that someone looking to take advantage of the exemption receives a significant amount of their income from agriculture. We are working with the bill sponsor and the Department of Taxation to possibly find a different method in order to avoid an increased administrative burden on vendors that sell these types of equipment. Regardless of the method for proving agricultural use in the case of these types of equipment, OFBF supports this legislation to provide clarity around equipment that is often used in the daily operations of an agricultural business. We would like to thank Representative Jones for bringing this legislation forward, and the committee for allowing us to provide comments today. I’d be happy to answer any questions you may have.