

**DEPARTMENT OF TAXATION
2022 Fiscal Impact Statement**

1. **Patron** Wendy W. Gooditis

2. **Bill Number** HB 1295

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Personal Property Tax; Farm Machinery and
Farm Implements

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would provide that farm machinery and farm implements, including (i) freezer and refrigeration equipment for storage and sale of on-farm-produced meat, produce, and grain and (ii) season-extending vegetable hoop houses used for in-field production of produce, constitute a separate class of tangible personal property for local assessment and taxation. The governing body of a locality may exempt in whole or in part from taxation, or provide a different rate of tax upon the farm machinery and equipment named in the bill.

Under current law, there are several classes of farm machinery and farm implements, but there is no category specifically including the items identified in this bill.

If enacted during the regular session of the 2022 General Assembly, this bill would become effective July 1, 2022.

6. **Budget amendment necessary:** No

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

8. Fiscal implications:

Administrative Costs

This bill could result in unknown administrative costs to localities based on the change in classifications of tangible personal property.

This bill would have no impact on state administrative costs.

Revenue Impact

This bill could result in an unknown negative revenue impact to localities that choose to exempt or partially exempt the farm machinery and farm implements named in the bill.

This bill would have no impact on state revenue.

9. Specific agency or political subdivisions affected: All localities

10. Technical amendment necessary: No

11. Other comments:

Classifications for Valuation Purposes

Under current law, tangible personal property is classified under a number of separate classifications for valuation purposes, which are not to be considered separate classes for rate purposes. Localities may value property within these separate classifications differently, so long as each method used is uniform within each category, is consistent with the specified requirements for each separate classification, and may reasonably be expected to determine actual fair market value as determined by the commissioner of the revenue or other assessing official. There are currently twenty separate classifications of tangible personal property for valuation purposes.

Classification for Rate Purposes

Currently, there are forty-seven categories of property that are separately classified for tangible personal property tax purposes and that may be taxed at different rates than other tangible personal property. Localities may elect to tax four specified categories at a rate that does not exceed the rate applicable to machinery and tools, must tax vehicles without motive power, designed as manufactured homes at a rate equal to the rate applied to real property, and may tax the remaining forty-one categories of tangible personal property at a rate that does not exceed the general rate imposed on tangible personal property.

Classifications of Agricultural Property

Additionally, certain types of property including farm animals, grains and other feeds used for the nurture of farm animals, farm machinery, and farm implements and equipment are given special classification for purposes of tangible personal property taxation. Localities may exempt all of these specific types of property from personal property taxation or provide a different rate of tax on all the specific classes of property.

Proposal

This bill would provide that farm machinery and farm implements, including (i) freezer and refrigeration equipment for storage and sale of on-farm-produced meat, produce, and grain and (ii) season-extending vegetable hoop houses used for in-field production of produce, constitute a separate class of tangible personal property for local assessment and taxation. The governing body of a locality may exempt in whole or in part from taxation, or provide a different rate of tax upon the farm machinery and equipment named in the bill.

If enacted during the regular session of the 2022 General Assembly, this bill would become effective July 1, 2022.

cc : Secretary of Finance

Date: 1/24/2022 SK
HB1295F161