

DEPARTMENT OF TAXATION

2023 Fiscal Impact Statement

1. **Patron** Roxann L. Robinson

3. **Committee** House Finance

4. **Title** Retail Sales and Use Tax; Agricultural exemptions

2. **Bill Number** HB 1601

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would expand the Retail Sales and Use Tax agricultural exemption to include structural construction materials and environmental control systems to be affixed or integrated into commercial greenhouse structures, so long as the greenhouse structure is 50,000 square feet or more in size. The structural construction materials and environmental control systems would be required to be ordered to meet the specifications of the greenhouse operator and be necessary for use in the greenhouse structure and system.

Under current law, structural construction materials to be affixed to real property owned or leased by a farmer are specifically excluded from the agricultural exemption.

If this bill is enacted during the 2023 Regular Session of the General Assembly, it would become effective July 1, 2023.

6. **Budget amendment necessary:** No.

7. **Fiscal Impact Estimates are:** Unknown. (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation considers implementation of this bill to be routine and does not require additional funding.

Revenue Impact

This bill could have an unknown impact to state and local revenues. Eligible purchases made by commercial greenhouse operators are not estimated to comprise a significant market share of agricultural purchasing in the Commonwealth.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: Yes.

As introduced, this exemption would not be available to contractors working on behalf of owners of qualifying greenhouses. If the intent of the bill is to allow contractors working on such projects to use this exemption when purchasing these materials, a technical amendment is necessary.

11. Other comments:

Current Law

Generally, items of tangible personal property used in construction of a structure that will be affixed to real property in an immovable way lose their characterization as tangible personal property and are not eligible for exemption from the Retail Sales and Use Tax (RSUT). Likewise, the agricultural exemption extends to tangible personal property used in agricultural production, but specifically excludes structural construction materials to be affixed to real property owned or leased by a farmer.

Proposal

This bill would provide a RSUT exemption for structural construction materials and environmental control systems to be affixed or integrated into a commercial greenhouse structure, so long as the commercial greenhouse structure exceeds 50,000 square feet and meets the specifications of the commercial greenhouse operator. The structural construction materials and environmental control systems would be required to be ordered to meet the specifications of the greenhouse operator and be necessary for use in the greenhouse structure and system.

Similar Legislation

Senate Bill would provide a similar exemption for structural construction materials to be affixed to commercial greenhouses that are at least 50,000 square feet in size.

House Bill 1400, House Bill 1563, Senate Bill 800, and Senate Bill 1240 would provide similar exemptions for structural components of indoor, closed, controlled-environment commercial agricultural facilities, including greenhouses.

cc : Secretary of Finance

Date: 1/14/2023 ADD
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