

DEPARTMENT OF TAXATION 2007 Fiscal Impact Statement

1. **Patron** Thomas C. Wright, Jr.

2. **Bill Number** HB 1641

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Sales and Use Tax Exemption; Commercial Greenhouses

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would provide a sales and use tax exemption for propane gas purchased for use solely in commercial greenhouses. The exemption would expire on July 1, 2012.

Under current law, tangible personal property that is necessary for use in agricultural production for market can be purchased by a farmer or contractor exempt from the Retail Sales and Use Tax.

The provisions of this bill would apply to transactions beginning July 1, 2007 and ending July 1, 2012.

6. **No Fiscal Impact**

7. **Budget amendment necessary:** No.

8. **Fiscal implications:**

TAX would not incur any administrative costs in implementing this bill because it reflects TAX's current policy. As this bill reflects TAX's current policy, this bill would have no state or local revenue impact.

9. **Specific agency or political subdivisions affected:**

TAX

10. **Technical amendment necessary:** No.

11. Other comments:

Current Law

Va. Code § 58.1-609.2 provides an exemption from the Retail Sales and Use Tax for tangible personal property necessary for use in agricultural production for market and sold to or purchased by a farmer or contractor. A recent Tax Commissioner ruling held that propane used in a farmer's greenhouse constitutes tangible personal property necessary for use in agricultural production for market. The ruling further provided that in accordance with Va. Code § 3.1-646.3, "a producer growing greenhouse plants, flowers, nursery stock, bedding plants, vegetables or vegetable transplants or any other plants grown under natural or controlled conditions, including plants grown in greenhouses...shall be classified as a farmer and placed in the same category as any other farmer or person producing agricultural products for market."

Proposal

This bill would codify TAX's current policy by providing a specific statutory exemption from the Retail Sales and Use Tax for propane gas purchased for use solely in commercial greenhouses. The exemption set forth in this bill would expire on July 1, 2012. Since propane gas used in commercial greenhouses is exempt under current law, the expiration of the exemption set forth in this bill would have no effect.

cc : Secretary of Finance

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