

# DEPARTMENT OF TAXATION

## 2020 Fiscal Impact Statement

1. **Patron** Les R. Adams

3. **Committee** House Finance

4. **Title** Personal Property Tax; Farm Machinery,  
Classification of Forest Harvesting

2. **Bill Number** HB 1021

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would clarify that for purposes of the local option exemption for farm machinery designed solely for the planting, production or harvesting of a single product or commodity, the term “farm machinery” includes any machinery designed solely for the planting, production, or harvesting of any livestock, aquaculture, poultry, horticultural, floricultural, viticulture, silvicultural, or other farm crops. Currently, different localities treat forest harvesting and silvicultural equipment differently for purposes of the local option exemption.

This bill would remove any forest harvesting and silvicultural equipment from the list of property that localities may separately classify and tax at a lower rate. This bill would add any forest harvesting and silvicultural equipment that is not exempted from property taxes to the list of categories of property that may be classified separately for valuation but not rate purposes.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

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

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

### 8. **Fiscal implications:**

#### Administrative Costs

Localities may experience an unknown impact on administrative costs as a result of this bill.

The Department of Taxation (“the Department”) considers implementation of this bill to be routine and does not require additional funding.

## Revenue Impact

Localities may experience an unknown fiscal impact as a result of this bill.

This bill would have no impact on state revenues.

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

Department of Taxation  
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 clarify that for purposes of the local option exemption for farm machinery designed solely for the planting, production or harvesting of a single product or

commodity, the term “farm machinery” includes any machinery designed solely for the planting, production, or harvesting of any livestock, aquaculture, poultry, horticultural, floricultural, viticulture, silvicultural, or other farm crops.

This bill would remove any forest harvesting and silvicultural equipment from the list of property that localities may separately classify and tax at a lower rate. This bill would add any forest harvesting and silvicultural equipment that is not exempted from property taxes to the list of categories of property that may be classified separately for valuation but not rate purposes.

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#### Similar Legislation

**House Bill 1008** would provide that household goods and personal effects owned and used by an individual incident to maintaining a vacation home shall be exempt for purposes of any tangible personal property tax exemption provided by a locality if the preponderance of use for the vacation home is as residence for its owners.

**House Bill 1021** would provide that “farm machinery” includes any machinery designed solely for planting or harvesting of any agricultural product. The bill would remove forest harvesting and silvicultural activity equipment from the list from the list of property that may be classified and taxed at a lower rate than general personal property.

cc : Secretary of Finance

Date: 1/24/2020 VB  
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