

**DEPARTMENT OF TAXATION
2020 Fiscal Impact Statement**

1. **Patron** Les R. Adams
3. **Committee** Senate Finance and Appropriations
4. **Title** Personal Property Tax; Farm Machinery,
Classification of Forest Harvesting

2. **Bill Number** HB 1021
House of Origin:
 Introduced
 Substitute
 Engrossed
- Second House:**
 X **In Committee**
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would clarify that equipment used for forest harvesting and silvicultural activities qualifies as farm machinery and farm implements that localities may choose to exempt. The bill would also clarify that localities may not classify exempt equipment used for forest harvesting and silvicultural activities as a separate class of tangible personal property subject to tax at a lower rate.

Currently, different localities treat forest harvesting and silvicultural equipment differently for purposes of the local option exemption.

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 equipment used for forest harvesting and silvicultural activities qualifies as farm machinery and farm implements that localities may choose to exempt. The bill would also clarify that localities may not classify exempt equipment used for forest harvesting and silvicultural activities as a separate class of tangible personal property subject to tax at a lower rate.

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

cc : Secretary of Finance

Date: 2/11/2020 VB
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