

DEPARTMENT OF TAXATION

2023 Fiscal Impact Statement

1. **Patron** Michael J. Webert

3. **Committee** House Finance

4. **Title** Personal Property Tax; Farm Equipment.

2. **Bill Number** HB 1486

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would expand the list of certain farm machinery and farm implements that a locality may exempt from personal property taxes to include motor vehicles used primarily for agricultural purposes for which the owner is not required to obtain a registration certificate, license plate, and decal or pay a registration fee; privately owned trailers primarily used by farmers in their farming operations for the transportation of farm animals or other farm products; and season-extending vegetable hoop houses used for in-field production of produce. The bill further provides that a locality that exempts such motor vehicles or privately owned trailers may not collect any unpaid tangible personal property taxes, including interest or penalties that are owed to the locality as of July 1, 2023.

In addition, this bill would modify the definition of “nursery stock” for purposes of such list of farm machinery and farm implements to state that it means herbaceous plants and any florist or greenhouse plants. Under current law, nursery stock only means herbaceous plants if the Board of Agriculture and Consumer Services determines that controlling the movement of such plants or bulbs is necessary to control any plant pest. Current law also states that, unless designated by the Board, “nursery stock” shall not include florist or greenhouse plants for inside culture or use.

Under current law, farm animals, grains and other feeds, agricultural products, farm machinery, and farm implements are defined as separate items of taxation for purposes of the tangible personal property tax. Localities are authorized to exempt such items from tax or to tax them at a different rate than the rate applicable to the general class of tangible personal property.

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

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. It would have no impact on state administrative costs.

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: 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-eight 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.

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

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products; and season-extending vegetable hoop houses used for in-field production of produce. The bill further provides that a locality that exempts such motor vehicles or privately owned trailers may not collect any unpaid tangible personal property taxes, including interest or penalties that are owed to the locality as of July 1, 2023.

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cc : Secretary of Finance

Date: 1/14/2023 SK
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