

# DEPARTMENT OF TAXATION

## 2023 Fiscal Impact Statement

1. **Patron** Mark J. Peake

3. **Committee** Senate Finance and Appropriations

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

2. **Bill Number** SB 985

**House of Origin:**

X **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

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

This bill would provide an expanded Retail Sales and Use Tax exemption for structural construction materials so long as they are an integral part of a commercial greenhouse structure and growing system, ordered to meet the specifications of a commercial greenhouse operator, and intended to be affixed to a commercial structure that is at least 50,000 square feet in size.

Under current law, structural construction materials to be affixed to real property owned or leased by a farmer are specifically excluded from the sales tax 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 by commercial greenhouses 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 are not eligible for exemption from the Retail Sales and Use Tax. Likewise, the current agricultural exemption extends to tangible personal property used in agricultural production but the exemption specifically excludes structural construction materials to be affixed to real property owned or leased by a farmer.

Proposal

This bill would provide a sales and use tax 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.

Similar Legislation

**House Bill 1400, House Bill 1563, 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: 1/18/2023 ADD  
SB985F161