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FISCAL IMPACT REPORT

SPONSOR:	Ingle	DATE TYPED:	02/04/00	HB	
SHORT TITLE:	Agricultural Processing Tax Deduction			SB	287
				ANALYST:	Eaton

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	FY01			
	\$ (410.0)		Recurring	General Fund
	\$ (15.0)		Recurring	County Govt.

(Parenthesis () Indicate Revenue Decreases)

Duplicates HB319

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

This bill adds "transporting unprocessed agricultural products for the producer or nonprofit marketing association" to the list of agricultural services allowed a gross receipts deduction. This list includes reaping, harvesting, ginning, etc..

FISCAL IMPLICATIONS

The estimated impact to the general fund in FY01 is \$410.0 (recurring). The estimated impact to county government in FY01 is \$15.0 (recurring).

The 1992 Economic Census of Transportation Industries indicates that in 1992, 306M ton-miles of primary, unprocessed agricultural commodities were hauled in the state. 49% of the value of these crops, animals and produce were hauled by for-hire carriers, with an additional 7% of the value hauled by mixed private and for-hire modalities. Using 6¢ per ton-mile for agricultural short-hauls, indicates that 1992 for-hire revenues were about \$10.3 million. An estimated 80% of this revenue was in intrastate commerce, and therefore taxable. The remaining 20% is deductible under an existing deduction from gross receipts tax for receipts from hauling in interstate commerce. This leads to an \$8.2 million tax base for this proposed deduction. No adjustment was made for any change in data since 1992. This is likely to result in an underestimate of fiscal impacts. Under current law, there is no local option gross receipts tax rate applied to hauling goods across city or county lines. Thus, the impact of this bill is almost solely state general fund. Industry representatives have testified that compliance with the gross receipts tax on hauling agricultural commodities is probably pretty poor and that most, if not all, the legally imposed taxes have not been remitted to the state.

ADMINISTRATIVE IMPLICATIONS

Minimal impact on Taxation and Revenue Department.

DUPLICATION

House Bill 319

OTHER SUBSTANTIVE ISSUES

The Taxation and Revenue Department report that this bill is in response to an audit and assessment of a for-hire milk hauler. TRD reports that his bill will not affect the outcome of the protest of this issue.

JBE/gm