

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

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H.864 Agricultural Exemptions from the Sales and Use Tax As Amended by the House Committee on Ways and Means

This bill modifies the sales and use tax exemption for agricultural machinery and equipment by changing the term “directly and exclusively” to “predominately” for the use of the agricultural machinery or equipment and changing the limitation percentage from 96% to 75% in order to qualify for the sales tax exemption.

This could result in **up to \$100,000** additional equipment sales tax exemption. Of this, 65% is from the General Fund (or \$65,000) and the remaining 35% is from the Education Fund. This provision largely relies on voluntary taxpayer compliance may be difficult to measure or enforce.

The estimates are based on data from the Vermont Chainbridge Sales and Use Tax Model, 2012 Agricultural Census Tables 4 (Farm Production Expenses); and 2012 Vermont Economic Census data.

Lastly, there may be additional compliance with the sales and use tax laws due to increased education, outreach and clarification of the state sales and use tax between the Tax Department and the agricultural community that is not estimated or included in this legislation.