



VERMONT LEGISLATIVE
Joint Fiscal Office

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Fiscal Note

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S.188: An act relating to regulating licensed small cannabis cultivation

As Passed by the Senate Finance Committee

<https://legislature.vermont.gov/Documents/2022/WorkGroups/Senate%20Finance/Bills/S.188/Drafts,%20Amendments%20and%20Legal%20Documents/S.188~Michael%20O'Grady~%20As%20Recommended%20by%20the%20Senate%20Committee%20on%20Finance~3-9-2022.pdf>

Bill Summary

This bill proposes to regulate the activities of a licensed small cannabis cultivator as “farming.” It amends the criteria regarding the growing area for cultivating cannabis commercially and for personal cultivation. It also allows licensed cultivators to purchase and sell seeds and young plants to one another. Finally, it allows small cultivators to qualify for the Sales and Use tax exemptions for agricultural machinery and inputs.

Fiscal Impact

The expansion of the agricultural machinery, equipment, and inputs exemption will result in a decrease in Sales and Use Tax revenue for the Education Fund. This fiscal impact is expected to be \$100,000 or less.

Details and Analysis

Under current law, cannabis cultivators are not considered “farmers” for the purposes of the sales tax exemptions available to producers of agricultural products for sale under 32 V.S.A. § 9741. These exemptions are for agricultural inputs (such as feed, seed, plants, twine, and fertilizer), compost, manure, and machinery and equipment. This bill would make small cultivators, meaning those with less than 1,000 square feet of cannabis cultivating space, eligible for those exemptions.

It is unlikely this expansion of the exemption will generate a significant decrease in Sales and Use tax revenues. It is unlikely small cultivators of cannabis are exclusively growing cannabis, and likely have other crops. Simply put, 1,000 sq ft of cultivating space is not likely to generate enough profit to sustain an entire farm. Generally, if a large share of their crops is non-cannabis in nature, they would already have access to the exemptions under current law. As such, for this subset of cannabis cultivators, JFO believes most small cultivators of cannabis are already accessing the exemption for the other crops they grow.