SALES AND USE TAX
Farm Machinery – Plant Production

February 7, 2001

	Yes	No
Separate Official Fiscal Note Requested	X	
Fiscal Impact		
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 35 (D.E. Johnson) / H.F. 79 (Stanek) - **As Proposed to be Amended**

	Revenue Gain or (Loss)			
	F.Y. 2002	**F.Y. 2003**	**F.Y. 2004**	**FY2005**
		(000's)		
General Fund	($410)	($460)	($480)	($490)

Effective for sales made after June 30, 2001.

EXPLANATION OF THE BILL

Current Law: For purposes of the sales and use tax, farm machinery is defined as machinery, equipment, implements, accessories, and contrivances used directly or principally in the production for sale of livestock, dairy animals, dairy products, poultry and poultry products, fruits, vegetables, trees and shrubs, forage, grains, and bees and apiary products. Irrigation equipment is included as a component of farm machinery.

Proposed Law: The bill, as proposed to be amended, would change the definition of farm machinery to include equipment used directly and principally in the production of plants. Plants would include flowering plants, vegetable plants, other garden plants, and plants for indoor use.

REVENUE ANALYSIS DETAIL

- The estimates are based on information developed for the *2000 Tax Expenditure Budget.* Estimates were made on the value of the Minnesota portion of farm machinery and equipment product shipments that would be used for floriculture, greenhouse, and other plant production not currently exempted. Background sources include the *1997 Annual Survey of Manufacturers*. It is estimated that there were new farm machinery and equipment purchases of $3.5 million in fiscal year 1999 for this plant related production. Additionally, estimates of used equipment purchases and purchases of repair and replacement parts have been included in the analysis.
- The analysis assumes an annual growth rate of 3.0%.
- The fiscal year 2002 impact was reduced to reflect 11 months of collections.

Number of Taxpayers Affected: Among those affected are the 475 Minnesota farms producing floriculture crops as reported by the *1997 Census of Agriculture – Minnesota State and County Data*.

ADMINISTRATIVE/OPERATIONAL IMPACT:

See fiscal note.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/polic.html#analyses

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