



This Bill Analysis reflects the contents of the bill as it was presented in committee.

SENATE BILL 388: Qualifying Farmer Zoo Sales Tax Exemption.

2021-2022 General Assembly

Committee:	House Agriculture. If favorable, re-refer to Finance. If favorable, re-refer to Rules, Calendar, and Operations of the House	Date:	June 22, 2022
Introduced by:	Sens. Sawyer, B. Jackson	Prepared by:	Chris Saunders
Analysis of:	PCS to Second Edition S388-CSTQf-47		Committee Counsel

OVERVIEW: *The Proposed Committee Substitute (PCS) to Senate Bill 388 would allow qualifying farmers that also have zoo operations to purchase items for the zoo under their qualifying farmer sales tax exemption certificate, effective for items purchased on or after January 1, 2023.*

The PCS would delete Parts II and III of the Second Edition, which would have created a sales tax exemption for listed items purchased by a wildlife manager and used for wildlife conservation purposes, and expanded and modified the property taxation of wildlife conservation land.

CURRENT LAW AND BACKGROUND: A qualifying farmer or a farmer with a conditional exemption certificate may purchase many items used in the farming operation without paying sales and use tax on the items. To be a qualifying farmer, a person must have an annual income from farming operations for the preceding taxable year of \$10,000 or more or have an average annual income from farming operations for the three preceding taxable years of \$10,000. A person who does not meet the definition of a qualifying farmer may apply to the Department of Revenue for a conditional exemption certificate if the person certifies that the person intends to engage in farming operations and will timely file income tax returns that reflect the person's farming operations. A conditional exemption certificate is valid for the year it is issued and the following two taxable years.

The items that may be exempt from sales tax when purchased by a person with a farmer sales tax exemption certificate and used in the person's farming operations include the following:

- Fuel, piped natural gas, and electricity.
- Farm equipment and attachments and repair parts for farm equipment.
- Containers used in the production of animals.
- Substances purchased for use on animals, such as vaccines and medications.
- Facilities and building materials for the housing, raising, or feeding of animals.
- Repair, maintenance, and installation services.

BILL ANALYSIS: The PCS would allow a qualifying farmer or a person with a conditional exemption certificate who also has a zoo operation to purchase items for use in the zoo operations exempt from sales and use tax. The PCS does not change the definition of a qualifying farmer. A person must meet the income requirement to qualify as a farmer through the person's farming operations. The PCS does not expand the items that are exempt from tax. It does expand the purposes for which a farmer may purchase

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the item and receive the exemption to include for use in the farmer's zoo operations. An item is used for zoo operations if it is used for the housing, raising, or feeding of animals for public display.

EFFECTIVE DATE: This act would become effective January 1, 2023 and would apply to purchases made on or after that date.

Cindy Avrette, counsel to the Senate Finance Committee, substantially contributed to this summary.