Statement of Estimated State Revenue Impact

Date: February 23, 2011

Bill Number: H.B. 3219

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Committee Requesting Impact: House Ways & Means Committee

Bill Summary
A bill to amend Section 12-36-2120, as amended, of the Code of Laws of South Carolina, 1976, relating to sales tax exemptions, so as to extend the exemption allowed farm machinery, replacement parts, and attachments to machinery, replacement parts, and attachments used in the commercial breeding and raising of cattle, horses, and other livestock for sale.

REVENUE IMPACT
This bill would reduce sales and use tax by an estimated $468,182 in FY2011-12. Of this amount, General Fund sales and use tax revenue would be reduced by $312,122, Education Improvement Act funds would be reduced by $78,030, and the Homestead Exemption Fund would be reduced by $78,030 in FY2011-12.

Explanation
This bill would amend Section 12-36-2120(16) to extend a sales and use tax exemption to machinery and replacement parts and attachments used in the breeding and raising of cattle, horses, and other livestock for sale. Based on the latest data from the U.S. Department of the Census, the Census of Agriculture, and the National Agricultural Statistics Service, there are 25,867 farms in South Carolina spending an average of $4,190 on machinery and equipment purchases and replacement parts on each farm every year. This figure is net of spending on automobiles, trucks, trailers, and tractors. Based on advice from the Clemson Extension Service, we estimate that on average cattle farmers spend $838 on these items. Multiplying 7,099 cattle farms and cattle feedlots by an estimated $838 in spending on machinery, equipment, attachments, and replacement parts, and applying a sales and use tax of six percent, yields a reduction of sales and use tax revenue of an estimated $356,938 in FY2011-12. Based on advice from the Clemson Extension Service, we estimate that on average other livestock farmers spend $419 on these items. Multiplying 1,159 farms that raise other livestock for sale, such as sheep and goats, by an estimated $419 in spending on machinery, equipment, attachments, and replacement parts, and applying a sales and use tax of six percent, yields a reduction of sales and use tax revenue of an estimated $29,137 in FY2011-12. Based on advice from the Clemson Extension Service, we estimate that on average horse farmers spend $838 on these items. Multiplying 1,633 horse farms that raise horses for sale by an estimated $838 in spending on machinery, equipment, attachments, and replacement parts, and applying a sales and use tax of six percent, yields a reduction of sales and use tax revenue of an estimated $82,107 in FY 2011-12. In total, exempting the sales of machinery and equipment, attachments, and replacement parts to cattle farms, other livestock farms, and horse farms would reduce sales and use tax by an estimated $468,182 in FY2011-12.

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This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(8) for an estimate of the shift in local property tax incidence by the Office of Economic Research.