



NORTH CAROLINA GENERAL ASSEMBLY

2021 Session

Legislative Fiscal Note

Short Title: Qualifying Farmer Zoo Sales Tax Exemption.
Bill Number: Senate Bill 388 (Fifth Edition)
Sponsor(s): Sen. Vickie Sawyer and Sen. Brent Jackson

SUMMARY TABLE

FISCAL IMPACT OF S.B. 388 (v5)

	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>
State Impact					
General Fund Revenue	-	-	-	-	-
Less Expenditures	-	-	-	-	-
General Fund Impact	Likely insignificant revenue loss-refer to Fiscal Analysis Section				
NET STATE IMPACT	-	-	-	-	-
Local Impact					
Local Revenue	-	-	-	-	-
Less Local Expenditures	-	-	-	-	-
NET LOCAL IMPACT	Likely insignificant revenue loss-refer to Fiscal Analysis Section				
NET LOCAL IMPACT	-	-	-	-	-

FISCAL IMPACT SUMMARY

The bill expands the scope of the existing sales and use tax exemptions for Qualified Farmers to exempt items used in the farmer’s zoo operations. The bill will reduce State and local sales tax collections by an unknown amount; the impact on overall collections is expected to be minimal.

FISCAL ANALYSIS

Background

Under G.S. 105-164.13E, multiple types of items purchased by a qualifying farmer for use in farming are exempt from sales and use tax. The current exemption includes a variety of farm-related items such as farm machinery, electricity if metered separately, and seeds. Under G.S. 105-

164.13E.(a), a “qualifying farmer” is a person whose annual income from farming operations averages at least \$10,000 per year.

The bill expands this exemption so that items purchased by a qualifying farmer for use in the farmer's zoo operations are also exempt.

Fiscal Impact

According to data from the Department of Revenue, the current exemptions for qualifying farmers under G.S. 105-1643.13E cost the State just over \$297 million in lost tax revenue for FY 2020-21. Based on that figure, the exemptions also will cost local governments Statewide approximately \$138 million this fiscal year. Expanding the exemption to include items purchased for use in zoo operations by a qualifying farmer would reduce State and local tax revenue further, but by an unknown amount. The revenue loss is expected to be minimal relative to the State’s nearly \$8 billion in annual sales tax collections.

The revenue loss cannot be quantified because there is no data available on how many North Carolina qualifying farmers operate zoos. Also, it is presumed that the zoos operated by qualifying farmers are relatively small zoos, and no data exists about the spending of small and/or privately-owned zoos on the types of items exempt from tax in the bill. No industry classification data or data from the Department of Revenue was available for producing a reliable estimate.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

North Carolina Department of Revenue.

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

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06/28/2022



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