

**DEPARTMENT OF TAXATION
2022 Fiscal Impact Statement**

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| <p>1. Patron R. Lee Ware, Jr.</p> <p>3. Committee House Finance</p> <p>4. Title Sales and use tax; Agricultural exemptions</p> | <p>2. Bill Number <u>HB 1152</u></p> <p>House of Origin:
<u> X </u> Introduced
<u> </u> Substitute
<u> </u> Engrossed</p> <p>Second House:
<u> </u> In Committee
<u> </u> Substitute
<u> </u> Enrolled</p> |
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5. Summary/Purpose:

This bill would provide a sales and use tax exemption for structural construction materials and environmental control systems to be affixed or integrated into a commercial greenhouse structure, so long as such materials and equipment have been specially ordered to meet the specifications of the commercial greenhouse operator.

Under current law, structural construction materials to be affixed to real property owned or leased by a farmer is specifically excluded from the sales tax exemption for tangible personal property sold to or purchased by a farmer and that is necessary for use in agricultural production for market.

This bill would apply retroactively to purchases of materials and equipment made on or after July 1, 2020.

6. **Budget amendment necessary:** No.
7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)
8. **Fiscal implications:**

Administrative Costs

This bill would have no impact on local administrative costs. The Department of Taxation considers implementation of this bill to be routine and does not require additional funding.

Revenue Impact

This bill could have an unknown but likely minimal negative impact to state and local revenues. While the proposed exemption is retroactive, eligible purchases by commercial greenhouse operators are not estimated to comprise a significant market share of agricultural purchasing in the Commonwealth.

9. Specific agency or political subdivisions affected:

Department of Taxation
All localities

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Generally, items of tangible personal property used in construction of a structure that will be affixed to real property in an immovable way lose their characterization as tangible personal property and are not eligible for exemption from the Retail Sales and Use Tax (RSUT). Likewise, the current RSUT exemption for agricultural materials extends to tangible personal property used in agricultural production but the exemption specifically excludes structural construction materials to be affixed to real property owned or leased by a farmer. This bill would create a fairly broad, retroactive exemption for construction materials and equipment used by commercial greenhouse operators.

Proposal

This bill would provide a sales and use tax exemption for structural construction materials and environmental control systems to be affixed or integrated into a commercial greenhouse structure, so long as such materials and equipment have been specially ordered to meet the specifications of the commercial greenhouse operator.

This bill would apply retroactively to purchases of materials and equipment made on or after July 1, 2020.

cc : Secretary of Finance

Date: 1/22/2022 VB
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