

**BILL SUMMARY**  
1<sup>st</sup> Session of the 57<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB 2303</b>
<b>Version:</b>	<b>INT</b>
<b>Request Number:</b>	<b>7706</b>
<b>Author:</b>	<b>Rep. Tadlock</b>
<b>Date:</b>	<b>2/17/2019</b>
<b>Impact:</b>	<b>Tax Commission:</b>
	<b>Estimate Decrease in State Sales Tax Revenue</b>
	<b>FY-20: \$4.8 Million</b>
	<b>FY-21: \$8.2 Million</b>

**Research Analysis**

HB2303, as introduced, creates a sales tax exemption for sales of commercial forestry equipment to businesses engaged in logging, timber and tree farming. Exempt items may include, but is not limited to, forwarders, fellers, bunchers, track skidders, wheeled skidders, hydraulic excavators, delimbers, soil compactors and skid steer loaders.

Prepared By: Quyen Do

**Fiscal Analysis**

Analysis provided by the Tax Commission:

The measure proposes to amend Section 1357 of Title 68 by providing a sales tax exemption for sales of commercial forestry service equipment, including, but not limited to, forwarders, fellers, bunchers, track skidders, wheeled skidders, hydraulic excavators, delimbers, soil compactors and skid steer loaders, to businesses engaged in logging, timber and tree farming.

This proposal would result in the exemption of not only large earth moving equipment and attachments, but it would also exempt saws, chainsaws, parts, and other more common purchases used in the logging industry as well. Research indicates that the majority of commercial logging operations is located in 18 counties in the far Eastern portion of the state, but there are also logging operations occurring throughout the state involving Eastern red cedar eradication. However, some of these operations may be exempted pursuant to existing sales tax exemptions for governmental entities, manufacturing operations or agricultural production.

Vendors reporting under the NAICS codes for Construction, Transportation, Mining, Forestry Machinery and Equipment Rental and Leasing reported state sales tax in the amount of \$18,992,179 for FY 18. Assuming for purposes of this impact that of this amount 40% or \$7,596,872 is associated with the sale or rental of forestry equipment to businesses engaged in logging, timber and tree farming. The measure proposes an effective date of November 1, 2019. Application of inflation rate adjustments<sup>1</sup> results in an estimated decrease in state sales tax collections of \$4,772,250 for FY 20<sup>2</sup> and \$8,181,000 for FY 21.

<sup>1</sup> Calculated with inflation rate adjustments of 2.5%.

<sup>2</sup> Includes seven months of sales tax collections.

Prepared By: Mark Tygret

### **Other Considerations**

None.

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