

March 2, 2022

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 3307 (Nelson, N.) / S.F. 3375 (Rarick)

	Fund Impact			
	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>
	(000's)			
General Fund	\$0	(\$2,580)	(\$1,310)	(\$1,320)
Natural Resources and Arts Funds	<u>\$0</u>	<u>(\$150)</u>	<u>(\$80)</u>	<u>(\$80)</u>
Total – All Funds	\$0	(\$2,730)	(\$1,390)	(\$1,400)

Effective retroactively for sales and purchases made after June 30, 2021.

EXPLANATION OF THE BILL

Current Law: Farm machinery is exempt from the sales and use tax. Farm machinery is defined as new or used machinery, equipment, implements, accessories, and contrivances used directly or principally in agricultural production. Examples of farm machinery include barn cleaners, milking systems, grain dryers, and feeding systems. Farm machinery does not include fencing material.

Proposed Law: The bill would add fencing material to the definition of exempt farm machinery. The bill would also provide an exemption for materials and supplies used or consumed in, and equipment incorporated into, the construction or improvement of farm fencing material that do not qualify as farm machinery. The bill would not exempt repair and replacement parts for fencing material.

REVENUE ANALYSIS DETAIL

- The United States fencing industry was estimated to be \$10 billion in 2021.
- It is estimated that agricultural fencing accounts for 8% of the overall fencing industry in the United States.
- It is estimated that Minnesota accounts for 3.3% of the total United States agricultural fencing industry.
- The estimates are adjusted to exclude repair and replacement parts for fencing material.
- The agricultural fencing industry is assumed to grow at an annual rate of 1% based on industry sources.
- The estimates for fiscal year 2023 include retroactive impacts.

Minnesota Department of Revenue
Tax Research Division
<https://www.revenue.state.mn.us/revenue-analyses>