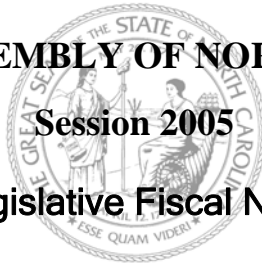


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2005

Legislative Fiscal Note

BILL NUMBER: House Bill 2551 (First Edition)

SHORT TITLE: Exemption for Baler Twine from Sales Tax.

SPONSOR(S): Representative Hill

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>
REVENUES:	*Small revenue loss – see Assumptions & Methodology*				
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue					
EFFECTIVE DATE: October 1, 2006					

BILL SUMMARY: House Bill 2551 would add baler twine sold to farmers to the list of items exempt from sales and use tax. For example, this would allow a sales tax exemption on baler twine used on hay that farmers feed to their livestock.

ASSUMPTIONS AND METHODOLOGY: The following items are exempt from sales and use tax if sold to a farmer:

- Commercial fertilizer, lime, land plastic mulch, plant bed covers, potting soil, and seeds.
- Farm machinery, attachment and repair parts for farm machinery, and lubricants applied to farm machinery
- A horse or mule
- Fuel other than electricity.ⁱ

Baler twine is currently taxed at the general combined sales tax rate of 7%. The addition of baler twine to the list of exempt items for farmers is likely to result in a very small annual revenue loss. However, the Department of Revenue does not have any data on which to base an estimate of the actual impact of this change.

SOURCES OF DATA: Department of Revenue

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Brenna Erford

APPROVED BY: Lynn Muchmore, Director
Fiscal Research Division

DATE: June 26, 2006



Signed Copy Located in the NCGA Principal Clerk's Offices

ⁱ Prior to January 1, 2006, the sale of horses or mules and sale of fuel other than electricity to farmers were subject to a 1% tax. The sale of farm machinery, attachments and repair parts for farm machinery, and lubricants applied to farm machinery were subject to a 1% tax, with an \$80 cap per item. The sale of potting soil was subject to the general State and local sales tax rate.