

Repeal B&O tax exemption for farmers with an annual gross income over \$200,000

Description This proposal would require farm operators to pay B&O tax if the value of the agricultural products produced in the tax year exceeds \$200,000. The tax would also apply to farmers who grow, raise, or produce agricultural products owned by other persons, such as custom feed operations. The tax would be equal to the value of agricultural products with a rate of 0.484 percent. For custom farming activity, the tax would equal the gross income received from such activity multiplied by the rate of 0.484 percent.

Current Law For purposes of the B&O tax, agricultural production is generally not considered a taxable business activity.

B&O tax exemption for farmers (agricultural producers) include those that:

- Make wholesale sales of agricultural products grown, raised, or produced by the farmer; or
- Grow, raise, or produce agricultural products owned by others.

A farmer is a person who grows, raises, or produces on their own land (or on land in which the farmer has a right of possession) agricultural products for sale.

Revenue Impact

General Fund Impacts (\$ millions):

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
\$0	\$30.0	\$30.0

Notes:

- *Estimates assume a July 1, 2012 effective date, representing 11 months of collections for FY 2013.*
- *Estimates reflect the September 2011 Economic & Revenue Forecast Council revenue forecast.*

Expenditure Impact

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
\$7,500	\$39,500	\$47,000