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**HF 2470** – Agricultural Equipment Sales Tax Exemption (LSB 5629S5256)  
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Fiscal Note Version – As Amended By **S-5256**

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### **Description**

**House File 2470** as amended by **S-5256** expands the exemption of sales and use taxes imposed on machinery and equipment sold for farm use. As amended, the Bill specifies that snow blowers, rear or fronted mounted blades, and rotary cutters are exempt from sales tax if they are attached to implements of husbandry and used on the agricultural production.

### **Background**

Currently, the list of farm and machinery equipment that is exempt from sales tax for agricultural production purposes includes: tractors, combines, land preparation machinery, dairy farm and barn equipment, irrigation equipment, planters, manure spreaders, wagons, and balers.

### **Assumptions**

- The Department of Revenue matched data with the Department of Workforce Development to identify Iowa farm implement dealers. Based on that data match, 373 businesses were identified in Iowa with total sales totaling approximately \$3.280 billion in FY 2011. In FY 2011, 90% of the total sales by the identified businesses were exempt from sales and use tax.
- The estimated average price for snowplows is \$4,744, for mounted snowplow blades is \$4,281, and for rotary cutters is \$4,337.
- Average price growth factors are 1.9%, 2.65%, 2.78%, and 2.36% from FY 2013 through FY 2016. Total sales growth rates are estimated at 3.5%, 3.0%, 2.9%, 4.0%, and 4.2% from FY 2012 through FY 2016.
- The estimate assumes that 5.0% of full-time farmers and 1.0% of part-time farmers purchase a snowblower, mounted blades, or a rotary cutter annually. Based on U.S. Department of Agriculture (Census of Agriculture), there are approximately 53,492 full-time farmers and 28,937 part-time farmers. Overall, the estimate assumes that approximately 741 mounted blades, 741 snowblowers, and 1,482 rotary cutters will be purchased annually in Iowa.
- Annual sales of the items exempt in this legislation are estimated to represent approximately 0.36% of the total sales of the identified Iowa farm implement dealers.
- The State sales tax rate is 6.0% with 5/6th deposited in the State General Fund and 1/6th deposited in the Secure an Advanced Vision for Education (SAVE) Fund.
- The statewide Local Option Sales Tax (LOST) rate is 0.87%.

### **Fiscal**

The following table provides the estimated fiscal impact of **S-5256**. State sales tax will be reduced by \$0.81 million in FY 2013 with reductions in General Fund revenue totaling \$0.67 million, SAVE Fund revenue totaling \$0.13 million, LOST revenue of \$0.12 million. The reduction amounts will increase slightly in future fiscal years.

**HF 2470 as amended by S-5256**  
**Estimated Reduction in Revenues (in Millions)**

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
State Sales Tax	\$ 0.81	\$ 0.83	\$ 0.85	\$ 0.87
General Fund Portion	0.67	0.69	0.71	0.73
SAVE Fund Portion	0.13	0.14	0.14	0.15
Local Option Sales Tax	0.12	0.12	0.12	0.13

SAVE = Secure an Advanced Vision for Education

**Sources**

Iowa Department of Revenue  
LSA calculations and analysis

/s/ Holly M. Lyons

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May 8, 2012

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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