

April 18, 2011

Dear Representative:

Please support the Agriculture Sales Tax Fraud Elimination Act (HB 268) introduced by Representative Harvey Hilderbran. This legislation would limit abuse of the agriculture sales tax exemption and lessen the burden on retailers without penalizing the honest, hardworking agricultural producers who legitimately claim the agriculture sales tax exemption on goods and equipment used in the production of agricultural products. The legislation would also save the State approximately \$1.38 million in the next biennium and \$4.4 million over the next five years.

Under the current system, some unscrupulous people not engaged in production agriculture are able to avoid paying sales tax on certain items simply by providing false information about the intended use of those items on the exemption certificate that must be completed at the time of purchase. By creating a new process whereby agriculture producers apply to the Comptroller for a certification number, instead of simply signing an exemption certificate at the time of purchase, the pool of purchasers claiming the agriculture sales tax exemption significantly narrows to those individuals actually involved in production agriculture – thus eliminating a great deal of the fraud and generating revenue for the state.

It is also important to note that HB 268 will not change the taxability of any item. If an item is eligible to be purchased under the agriculture exemption today, it will continue to be exempt. If it is taxable today, it will continue to be taxable. This legislation simply creates a system whereby the purchaser has applied for and received a certification number from the Comptroller that informs retailers that the individual is eligible to claim the exemption and will use an exempt item only in the production of agricultural products. Today, the onus falls on the retailer to make these determinations – an unfair and impractical burden.

Farming and ranching are risky, capital intensive businesses that are continuously at the mercy of weather and market conditions. The agriculture sales tax exemption is an important tool that helps farmers and ranchers reduce capital outlays that would otherwise be reflected in higher consumer prices for the food and fiber. The agricultural and retail sectors recognize the importance of this tool and the need to eliminate fraud and abuse. Please join us in this important effort by supporting HB 268.

Respectfully,

Corn Producers Association of Texas  
Exotic Wildlife Association  
Independent Cattlemen's Association of Texas  
Mueller, Inc.  
National Federation of Independent Business  
Plains Cotton Growers  
Select Milk Producers  
South Texas Cotton & Grain Association  
Texas Agricultural Cooperative Council  
Texas Association of Dairymen  
Texas Cattle Feeders Association  
Texas Citrus Mutual  
Texas Farm Bureau  
Texas Forestry Association

Texas Grain Sorghum Producers Association  
Texas Logging Council  
Texas Nursery & Landscape Association  
Texas Pork Producers Association  
Texas Poultry Federation  
Texas Quarter Horse Association  
Texas Retailers Association  
Texas Rice Producers Legislative Group  
Texas Sheep & Goat Raisers' Association  
Texas & Southwestern Cattle Raisers Association  
Texas Taxpayers and Research Association  
Texas Vegetable Association  
Texas Wheat Producers Association  
Vocational Agriculture Teachers Assn. of Texas