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H.B. 347
135th General Assembly

Bill Analysis

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Version: As Reported by House Ways & Means

Primary Sponsor: Rep. Jones

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SUMMARY

- Allows a purchaser to provide three years of filed federal farm profit and loss forms to the Tax Commissioner to verify that certain vehicles and trailers are primarily used in agriculture, and thus exempt from sales and use tax.
- Allows the Tax Commissioner to issue certificates, which may be provided to a vendor, verifying that a consumer has filed three years of those forms with the Commissioner.

DETAILED ANALYSIS

Agricultural use exemption qualifications

Continuing law exempts from sales and use tax items used or consumed primarily to produce property for sale through farming, agriculture, horticulture, or floriculture. Under current law, this “agricultural use” exemption does not apply to any specific list of property; how each item purchased will be used is the key as to whether the exemption applies.¹

To obtain the exemption under current law, a purchaser must provide the seller with an exemption certificate, prescribed by the Tax Commissioner, stating the reason the sale is not subject to the sales tax. The certificate relieves the seller of the obligation to collect the sales tax on behalf of the state. But, if the Department of Taxation (TAX) later determines that the purchase does not qualify for the exemption, the purchaser is liable for the tax due.²

The bill allows a purchaser to verify eligibility for the agricultural use exemption for certain vehicles and trailers by providing TAX with copies of the purchaser’s Schedule F – the

¹ R.C. 5729.02(B)(42)(n), not in the bill.

² R.C. 5739.03(B)(1)(a) and (b).

federal income tax profit or loss from farming form – for the three most recent years for which federal returns were due. Qualifying items are:

- Trailers, excluding watercraft trailers;
- Utility vehicles, i.e., vehicles with a bed, principally for the purpose of transporting material or cargo in connection with construction, agricultural, forestry, grounds maintenance, land and garden, materials handling, or similar activities;
- All-purpose vehicles, i.e., vehicles designed primarily for cross-country travel on land and water, or on multiple types of terrain, but excluding golf carts;
- Garden tractors, small utility tractors, and riding mowers.³

The bill also allows the Commissioner to prescribe and issue certificates verifying that a consumer has filed a Schedule F for the required three years. A certificate holder may submit this certificate to a vendor, seemingly in lieu of the standard exemption certificate. The bill restricts the vendor and TAX from requiring the purchaser to provide any additional documentation or explanation, regardless of whether the Schedule Fs are filed directly with TAX or a certificate verifying their filing is filed with the vendor.⁴

The bill's modifications apply to sales made on or after the first day of the first month after the bill's 90-day effective date.⁵

HISTORY

Action	Date
Introduced	12-04-23
Reported, H. Ways & Means	05-01-24

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³ R.C. 1353.01, 4501.01, and 4519.01, not in the bill.

⁴ R.C. 5739.03(B)(7).

⁵ Section 3.