

**DEPARTMENT OF TAXATION
2003 Fiscal Impact Statement**

1. **Patron** Ingram

2. **Bill Number** HB 2400

3. **Committee** House Finance

House of Origin:
 X **Introduced**
 Substitute
 Engrossed

4. **Title** Income Tax: Subtraction for Peanut Quota
Buyout Program

Second House:
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would create a corporate and individual income tax subtraction for income received as a result of the payments made under the federal Peanut Quota Buyout Program of the Farm Security and Rural Investment Act of 2002.

This bill contains an emergency clause. The provisions of this bill would be applicable to taxable years beginning on and after January 1, 2002.

6. **Fiscal Impact Estimates are:** Tentative. (See Line 8.)

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2002-03	<\$1.6 Million>	GF
2003-04	<\$2.1 Million>	GF
2004-05	<\$526,000>	GF

7. **Budget amendment necessary:** Yes.

ITEM(S): Page 1, Revenue Estimates

8. Fiscal implications:

This bill would decrease General Fund revenues by an estimated \$1.6 million in Fiscal Year 2003, \$2.1 million in Fiscal Year 2004, and \$526,000 in Fiscal Year 2005. This estimate assumes that one-half of the peanut quota holders will receive a lump sum payment, while the remaining half would receive payments over the five years of the program. If more than one-half of the peanut quota holders receive the lump sum payment in either 2002 or 2003, then this bill would impact General Fund revenue by a larger amount in either Fiscal Year 2003 or Fiscal Year 2004.

The Department's administrative costs to implement this bill would be minimal.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: None.

11. Other comments:

This bill would create a corporate and individual income tax subtraction for income received as a result of the payments made under the federal Peanut Quota Buyout Program of the Farm Security and Rural Investment Act of 2002. The subtraction would be available for taxable years beginning on and after January 1, 2002.

The buyout program was initiated by Congress to introduce competition into the Peanut market. The Peanut quotas had been in place since the 1930's. The buyout program was necessary as the quotas were treated as assets by those that held a quota. The buyout program was created to compensate peanut quota holders for their lost asset. Under the program, quota holders may choose to either receive a single lump sum payment or equal payments over five years.

cc : Secretary of Finance

Date: 01/13/03 CT

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