

**DEPARTMENT OF TAXATION  
2003 Fiscal Impact Statement**

1. **Patron** Ingram

2. **Bill Number** HB 2400

3. **Committee** Passed House and Senate

**House of Origin:**  
 **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 any gain recognized as a result of the payments made under the federal Peanut Quota Buyout Program of the Farm Security and Rural Investment Act of 2002. Any taxpayer receiving the buyout payment in installments would be allowed to subtract any gain from each payment as it is received. Any taxpayer receiving the buyout payment in one lump sum payment would be allowed to subtract 20% of the gain in the year in which the payment was received and would deduct 20% of the gain in each of the next four succeeding taxable years.

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	<\$383,000>	GF
2003-04	<\$547,000>	GF
2004-05	<\$547,000>	GF

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

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8. **Fiscal implications:**

This bill would decrease General Fund revenues by an estimated \$383,000 in Fiscal Year 2003, \$547,000 in Fiscal Year 2004, and \$547,000 in Fiscal Year 2005. This estimate assumes that 20% of the peanut quota holders will receive a lump sum payment in 2002, 30% of the peanut quota holders will receive a lump sum payment in 2003, while the remaining half would receive payments over the five years of the program.

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 any gain recognized as a result of the payments made under the federal Peanut Quota Buyout Program of the Farm Security and Rural Investment Act of 2002. Any taxpayer receiving the buyout payment in installments would be allowed to subtract any gain from each payment as it is received. Any taxpayer receiving the buyout payment in one lump sum payment would be allowed to subtract 20% of the gain in the year in which the payment was received and would deduct 20% of the gain in each of the next four succeeding taxable years.

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 in any year between 2002 and 2006 or equal payments over those same five years. Quota holders choosing either the installment payments or a lump sum payment in a later year are not entitled to any interest on the payments.

cc : Secretary of Finance

Date: 02/21/03 CT

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