



# OFFICE OF MANAGEMENT & BUDGET

## State Budget Office

One Capitol Hill  
Providence, RI 02908-5890

Office: (401) 222-6300  
Fax: (401) 222-6410

State Fiscal Note for Bill Number:

2024-H 7618

*Date of State Budget Office Approval:* Wednesday, May 22, 2024

*Date Requested:* Thursday, February 15, 2024

*Date Due:* Saturday, April 13, 2024

<i>Impact on Expenditures</i>		<i>Impact on Revenues</i>	
FY 2024	\$0	FY 2024	Indeterminate
FY 2025	\$0	FY 2025	Indeterminate
FY 2026	\$0	FY 2026	Indeterminate

*Explanation by State Budget Office:*

This bill would amend numerous sections of the Rhode Island General Laws. R.I. Gen. Laws Title 2 titled "Agriculture and Forestry" is amended by adding R.I. Gen. Laws Chapter 2-27.1 titled "Forestry and Forest Parity Act." The stated purpose of the chapter is to provide parity of treatment with farming and agriculture operations to forestry and forest product operations and the new chapter includes some definitions related to forest-based businesses.

The bill would amend R.I. Gen. Laws Chapter 31-3 entitled "Registration of Vehicles" to include a new section § 31-3-31.4 titled, "Registration of forestry vehicles – use of farm plates" which allows forestry vehicles (as defined in another proposed new section § 31-1-8.1) to be assigned a special farm plate with a suitable symbol or letter indicating usage of the forestry vehicle. Forestry vehicles are defined as vehicles designed for and used for forest product operations which includes the delivery of forest products produced by the forester but shall not include commercial hire for non-forestry product operation uses such as hauling sand and gravel and snow plowing.

The bill amends R.I. Gen. Laws Chapter 42-64-5 titled, "Rhode Island Commerce Corporation" to include forestry as one of the industries Commerce is tasked with promoting and encouraging.

The bill amends R.I. Gen. Laws Chapter 44-5 entitled, "Levy and Assessment of Local Taxes" to exempt all forestry product operations machinery including motor vehicles with farm plates from taxation. Cities and towns may tax forestry product operations buildings at a rate that reflects the actual costs incurred by the city or town in providing services to those buildings.

Finally, this bill amends R.I. Gen. Laws Chapter 44-18 entitled "Sales and Use Taxes – Liability and Computation" by adding new subsection 33 to R.I. Gen. Laws § 44-18-30 titled "Forestry product operations equipment and parts." The new subsection exempts from sales and use taxes machinery and equipment and parts used directly for forest product operations engage in commercial production including but not limited to chainsaws, tree chippers, mulch grinders, chip screeners, sawdust blowers, conveyors, power generators, firewood processors, log skidders, wood splitters, disc cleaners, tumblers, shaving mills, loaders, forklifts, firewood kilns, pallet kilns, lumber kilns, sawdust dryers, forwarders, sawmills, resaws, edgers, planers, debarkers, live log decks, green chains, tractors, winches, tree harvesters, feller bunchers, log loaders, slashers, delimiters, grapples, bucket trucks, tree cranes, and stump grinders. The exemption is valid for small businesses as defined in R.I. Gen.



# OFFICE OF MANAGEMENT & BUDGET

## State Budget Office

One Capitol Hill  
Providence, RI 02908-5890

Office: (401) 222-6300  
Fax: (401) 222-6410

*State Fiscal Note for Bill Number:*

*2024-H 7618*

---

Laws § 22-7.6-1 that employ no more than 300 employees and applies to no more than \$2.5 million in forest operations equipment and parts.

Under current law, such definitions of forestry equipment do not exist. Farm plates are limited to farm use and there is no such local exemption from taxation. Finally, there is no such sales and use tax exemption for forestry equipment. There is a farm equipment sales and use tax exemption which exempts the sale and use of machinery and equipment used directly in commercial farming and agricultural production.

Summary of Facts and Assumptions:

The bill is effective upon passage. The Division of Taxation sent a letter of concern to the House Committee on Environment and Natural Resources for the hearing on the bill on April 4, 2024 noting technical concerns with the bill as drafted.

Given current data restrictions it was impossible for the Office of Revenue Analysis (ORA) to estimate the impact of this bill; however, there are several relevant data points that provide context for the possible impacts of this proposal.

The size of the motor vehicle registration and fee revenue loss is difficult to determine. Research by ORA revealed that many tree companies have a bucket truck. A Ford F-550 bucket truck weighs approximately 19,500 pounds. Under the current law registration fee schedule, a commercial vehicle with that weight would annually pay a registration fee of \$176 plus a Department of Transportation (DOT) surcharge of \$15. This compares to current farm plates registration fees which are \$18.50 plus a \$10 DOT surcharge (presumably, under the legislation forestry vehicles would pay the same fees as farm vehicles). Similarly, a tree chipper is another type of vehicle that pays an annual registration fee based on weight. ORA was unable to determine the average number of vehicles a forestry operations business would register.

ORA was unable to determine exactly how many businesses would be impacted by the proposed legislation; however, there are two data points worth noting. The Rhode Island Department of Environmental Management (DEM) requires all practitioners of arboriculture to be licensed by DEM and requires that license to be renewed annually. The published list for calendar year 2023 includes 713 licensed arborists listing 272 companies that they are employed at. Meanwhile the Rhode Island Secretary of State's website has a corporate database. Although difficult to determine, ORA conjectured the most likely NAICS code these businesses would self-report under was landscaping (code 561730) and all other specialty trade (code 238990). The database reports 794 active entries under the landscaping NAICS code and 1,113 entries under the all other specialty trade NAICS code.

ORA was unable to determine the size of the revenue loss of the proposed sales and use tax sales and use tax exemption. The closest exemption allowable under current is the sales and use tax exemption of machinery and equipment used directly in commercial farming and agricultural production. As reported in ORA's 2024 Tax Expenditure Report, for FY 2024 the revenue forgone from allowing this exemption is projected to be \$802,625 utilized by approximately 38 taxpayers.



# OFFICE OF MANAGEMENT & BUDGET

## State Budget Office

One Capitol Hill  
Providence, RI 02908-5890

Office: (401) 222-6300  
Fax: (401) 222-6410

State Fiscal Note for Bill Number:

2024-H 7618

ORA is unable to determine what the loss of local revenue would be to municipalities under the proposed language.

Comments on Sources of Funds:

All sales and use taxes are general revenues. Motor vehicle license and registration fees are restricted receipts deposited into the Rhode Island Highway Maintenance Account.

Summary of Fiscal Impact:

- FY 2024: An indeterminable revenue loss is forecast.
- FY 2025: An indeterminable revenue loss is forecast.
- FY 2026: An indeterminable revenue loss is forecast.

Budget Office Signature: \_\_\_\_\_

*Joseph Codega Jr.*  
Digitally signed by Joseph Codega Jr.  
Date: 2024.05.23 12:12:39 -04'00'

Fiscal Advisor Signature: \_\_\_\_\_

*[Handwritten Signature]*

