



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:

2025-H 5098

Date of State Budget Office Approval: Tuesday, April 29, 2025

Date Requested: Wednesday, April 23, 2025

Date Due: Saturday, May 3, 2025

| <i>Impact on Expenditures</i> | | <i>Impact on Revenues</i> | |
|-------------------------------|-----|---------------------------|----------------|
| FY 2025 | \$0 | FY 2025 | Indeterminable |
| FY 2026 | \$0 | FY 2026 | Indeterminable |
| FY 2027 | \$0 | FY 2027 | Indeterminable |

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 R.I. Gen. Laws § 31-3-31.4 titled, "Registration of forestry vehicles – use of farm plates" which allows forestry vehicles (as defined in another proposed new section R.I. Gen. Laws § 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. Amendments to this chapter would also require forestry machinery and equipment be assessed in the same class as agriculture machinery and equipment.



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:

2025-H 5098

Finally, this bill amends R.I. Gen. Laws Chapter 44-18 entitled "Sales and Use Taxes – Liability and Computation" by adding new subsection 69 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 engaged 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, delimbers, grapples, bucket trucks, tree cranes, and stump grinders. The exemption is valid for small businesses as defined in R.I. Gen. 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 for qualifying taxpayers.

Summary of Facts and Assumptions:

The bill is effective upon passage. The Department of Revenue, Division of Taxation (Taxation) noted potential concerns with the bill as drafted, including significant implementation concerns, and likely will be submitting a letter of concern for any hearing on the bill to note these concerns.

A paucity of data meant the Office of Revenue Analysis (ORA) was unable to generate a fiscal impact of this legislation; however, there are several relevant datapoints that provide context for the possible impacts of this proposal.

The forestry sector in Rhode Island is extremely limited. According to the 2022 Economic Census published by the U.S. Census Bureau, the industry sector "agriculture, forestry, fishing and hunting" (NAICS code 11) in Rhode Island includes 36 firms, 130 employees, and \$26.6 million of annual sales. The subset of that industry that is "forestry and logging" is redacted in the Census data due to the small number of respondents. ORA was able to extrapolate the "forestry and logging sector" by subtracting the two other subsectors of NAICS 11 (NAICS code 114 "fishing, hunting, and trapping" and NAICS code "support activities for agriculture and forestry"). This yields a forestry sector comprised by four firms, \$5.5 million in sales, and eight employees. While this may understate of the size of this industry, it speaks to the limited nature of these activities in Rhode Island.



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:

2025-H 5098

The impact of this proposal will be determined by how broadly it is applied, and how much overlap exists with the current preferential tax and fees for farmers. The bill explicitly defines “forest product operations” as including “arboriculture and logging” (to the extent those activities are part of “harvesting, production, maintaining, and sale of forest products.”) It is possible that landscaping service companies, which perform arboriculture as part of the maintenance of forests, may qualify under this proposal. If those firms do qualify, they are likely to comprise most of the revenue impact given the extremely limited level of forestry activity in the state.

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 2024 includes 833 licensed arborists listing 272 Rhode Island-based 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 836 active entries under the landscaping NAICS code and 1,142 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 exemption, although it could be significant. The current proposed language says the sales and use tax exemption shall apply to no more than \$2.5 million in forest operations equipment and parts. ORA interpreted that to mean either per piece of equipment purchased or a transaction total for forest operations equipment and parts in a single transaction. The closest exemption allowable under current law 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.

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



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:

2025-H 5098

Comments on Sources of Funds:

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 2025: An indeterminable revenue loss is forecast.

FY 2026: An indeterminable revenue loss is forecast.

FY 2027: An indeterminable revenue loss is forecast.

Budget Office Signature: _____

Digitally signed by
Joseph Codega
Date: 2025.04.30 09:27:26
-04'00'

Fiscal Advisor Signature: _____