



General Assembly

January Session, 2009

**Raised Bill No. 1077**

LCO No. 4210

\*04210\_\_\_\_\_ENV\*

Referred to Committee on Environment

Introduced by:  
(ENV)

**AN ACT CONCERNING THE PRESERVATION OF THE CONNECTICUT DAIRY INDUSTRY.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2009, and applicable to taxable years*  
2 *commencing on or after January 1, 2009*) (a) For purposes of this section:

3 (1) "Federal pay price" means the monthly uniform price for milk  
4 pursuant to the United States Department of Agriculture Northeast  
5 Federal Milk Marketing Order;

6 (2) "Milk producer" means a person, firm or corporation registered  
7 pursuant to section 22-172 of the general statutes;

8 (3) "Minimum sustainable monthly cost of production" means  
9 eighty-two per cent of the baseline determined by the United States  
10 Department of Agriculture's Economic Research Service monthly  
11 average cost of production for a New England state.

12 (b) (1) Any milk producer, subject to tax under chapter 208 or 229 of  
13 the general statutes, shall be entitled to a credit under said chapter 208  
14 or 229. Such credit shall be in an amount equal to the total of the

15 monthly difference between the federal pay price and the production  
16 price for milk, as determined by the Commissioner of Agriculture  
17 pursuant to subsection (d) of this section. In each month that the  
18 federal pay price is below the production price, the milk producer shall  
19 be entitled to a credit equal to the dollar amount such federal pay price  
20 was below the production price, multiplied by the amount of milk  
21 produced by such milk producer during such month.

22 (2) For purposes of calculating the credit due pursuant to  
23 subdivision (1) of this subsection, each milk producer shall file, in such  
24 form and at such times as the Commissioner of Agriculture shall  
25 direct, information as to the amount of milk produced by such  
26 producer.

27 (3) If the amount of the credit allowed under this section exceeds a  
28 milk producer's tax liability, the Commissioner of Revenue Services  
29 shall treat such excess as an overpayment and shall pay such milk  
30 producer the amount of such excess, without interest.

31 (c) On or before February 15, 2010, and annually thereafter, the  
32 Commissioner of Agriculture shall certify to the Commissioner of  
33 Revenue Services the tax credit due to each milk producer, based on  
34 the total amount of milk such producer produced, multiplied by the  
35 total monthly shortfall of the federal pay price.

36 (d) The Commissioner of Agriculture shall adopt regulations, in  
37 accordance with the provisions of chapter 54 of the general statutes, to  
38 implement the provisions of this section, including, but not limited to,  
39 establishment of the monthly production price, which shall not be  
40 below the minimum sustainable monthly cost of production.

41 Sec. 2. Subdivision (63) of section 12-412 of the general statutes is  
42 repealed and the following is substituted in lieu thereof (*Effective July*  
43 *1, 2009, and applicable to sales on and after said date*):

44 (63) (A) Sales of and the storage, use, rental, lease or other

45 consumption, including repair services rendered to agricultural  
46 equipment, of tangible personal property exclusively for use in  
47 agricultural production, as defined in this subsection, by a farmer  
48 engaged in agricultural production as a trade or business and to whom  
49 the Department of Revenue Services has issued a farmer tax exemption  
50 permit, provided such farmer's gross income from such agricultural  
51 production, as reported for federal income tax purposes, shall have  
52 been (i) not less than two thousand five hundred dollars for the  
53 immediately preceding taxable year, or (ii) on average, not less than  
54 two thousand five hundred dollars for the two immediately preceding  
55 taxable years.

56 (B) The Commissioner of Revenue Services shall adopt regulations  
57 in accordance with chapter 54 requiring periodic registration for  
58 purposes of the issuance of farmer tax exemption permits, including (i)  
59 a procedure related to the application for such permit, such application  
60 to include a declaration, prescribed as to form by the Commissioner of  
61 Revenue Services and bearing notice to the effect that false statements  
62 made in such declaration are punishable, to be signed by the applicant,  
63 and (ii) a form of notice concerning the penalty for misuse of such  
64 permit.

65 (C) As used in this subsection, (i) "agricultural production" means  
66 engaging, as a trade or business, in (I) the raising and harvesting of  
67 any agricultural or horticultural commodity, (II) dairy farming, (III)  
68 forestry, (IV) the raising, feeding, caring for, shearing, training or  
69 management of livestock, including horses, bees, poultry, fur-bearing  
70 animals or wildlife or (V) the raising and harvesting of fish, oysters,  
71 clams, mussels or other molluscan shellfish; and (ii) "farmer" means  
72 any person engaged in agricultural production as a trade or business.

73 (D) The Department of Revenue Services may issue a farmer tax  
74 exemption permit to a farmer, notwithstanding the fact that, in the  
75 farmer's immediately preceding taxable year, such farmer's gross  
76 income from agricultural production engaged in as a trade or business

77 may have been less than two thousand five hundred dollars, provided  
78 (i) such farmer purchased, during such farmer's current or  
79 immediately preceding taxable year, an agricultural trade or business  
80 from a seller who was issued a farmer tax exemption permit by such  
81 department at the time of such purchase and (ii) such agricultural  
82 production shall be carried on as a trade or business by such purchaser  
83 during the period commencing upon the purchase and ending two  
84 years after the date of purchase. Such purchaser shall be liable for the  
85 tax otherwise imposed, during the period commencing upon such  
86 purchase and ending two years after the date of purchase, if such  
87 agricultural production is not carried on as a trade or business by such  
88 purchaser during the period commencing upon such purchase and  
89 ending two years after the date of purchase.

90 (E) (i) The Department of Revenue Services, under such regulations  
91 as the Commissioner of Revenue Services may adopt in accordance  
92 with the provisions of chapter 54, may issue a farmer tax exemption  
93 permit to an applicant, provided such applicant has satisfied the  
94 commissioner that the applicant intends to carry on agricultural  
95 production as a trade or business for at least two years,  
96 notwithstanding the fact that the applicant was not engaged in  
97 agricultural production as a trade or business in the immediately  
98 preceding taxable year or, if the applicant was engaged in agricultural  
99 production as a trade or business in the immediately preceding taxable  
100 year, notwithstanding the fact that the applicant's gross income from  
101 such agricultural production, as reported for federal income tax  
102 purposes, was less than two thousand five hundred dollars for the  
103 immediately preceding taxable year or, on average, less than two  
104 thousand five hundred dollars for the two immediately preceding  
105 taxable years.

106 (ii) Such applicant shall be liable for the tax imposed under this  
107 chapter during the period commencing upon the issuance of the  
108 permit and ending two years after the date of issuance of the permit if  
109 agricultural production is not carried on as a trade or business by such

110 applicant during such entire period.

111 (iii) Such applicant shall also be liable for the tax otherwise  
 112 imposed, during the period commencing upon the issuance of the  
 113 permit and ending two years after the date of issuance of the permit, if  
 114 (I) such applicant’s gross income from such agricultural production, as  
 115 reported for federal income tax purposes, is less than two thousand  
 116 five hundred dollars for the immediately preceding taxable year or, on  
 117 average, less than two thousand five hundred dollars for the two  
 118 immediately preceding taxable years, and (II) such applicant’s  
 119 expenses from such agricultural production, as reported for federal  
 120 income tax purposes, are less than two thousand five hundred dollars  
 121 for the immediately preceding taxable year or, on average, less than  
 122 two thousand five hundred dollars for the two immediately preceding  
 123 taxable years.

124 (iv) Any applicant liable for tax under clause (ii) or (iii) of this  
 125 subparagraph shall not be eligible to be issued another permit under  
 126 clause (i) of this subparagraph.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2009, and applicable to taxable years commencing on or after January 1, 2009</i>	New section
Sec. 2	<i>July 1, 2009, and applicable to sales on and after said date</i>	12-412(63)

**Statement of Purpose:**

To preserve the Connecticut dairy industry.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*