



Assembly Bill 1247 (Irwin) Compost Sales Tax

SUMMARY

AB 1247 will provide statutory clarification that compost or “organic input material” is not subject to sales tax when it is applied to land which will be used to grow food crops.

BACKGROUND

Under Revenue and Taxation Code 6358 (d) fertilizer that is applied to land to grow food for human consumption is exempt from sales tax.

In implementing this statute, the Board of Equalization (BOE) has enacted regulation 1588 in order to define the term “fertilizer.”

In defining fertilizer, the BOE included “commercial fertilizer” and “agricultural minerals” as defined in the Food and Agricultural Code (FAC) 14522 and 14512, respectively. The regulation also specifically notes, that “soil amendments” (FAC 14552) and “auxiliary soil and plant substances” (FAC 14513) are not included in the definition of the fertilizer.

In 2009, the legislature approved and Governor signed AB 856, which added the definition of “organic input material” to FAC 14522. The term was defined to mean any bulk or packaged commercial products to be used in organic crop or food production, in compliance with the National Organic Program (NOP). This provided an opportunity for suppliers of compost or organic input materials to be certified to ensure the quality and integrity of the product.

Adding to the numerous definitions and regulations, FAC 14533 also defines “fertilizing materials” which means commercial fertilizer, agricultural minerals, auxiliary soil and plant substance, organic input material, or packaged soil amendment. Notably, BOE regulation 1588 clearly identifies all substances listed in this definition, but is silent on organic input material.

NEED FOR THE BILL

The state has numerous goals promoting the creation and use of compost. Composting diverts organic waste from the landfill and has been identified as a cost effective method to reduce greenhouse gas emissions. Further, the application of compost in agriculture and landscaping has been shown to offer significant soil carbon sequestration and water quality benefits, provide erosion control, reduce the need for synthetic and fertilizers and pesticides, and conserve water and energy required for irrigation.

Though compost provides significant benefits to our economy and environment, it remains unclear in tax code and in its enforcement, as to which organic input materials are exempt from sales tax. AB 1247 seeks to clarify that all certified organic input material used for food production are exempt from sales tax.

WHAT THE BILL DOES

AB 1247 will make it clear that compost or “organic input material” is not subject to sales tax when it will be applied to land which will be used to grow food crops as with other commercial fertilizers.

SUPPORT

California Compost Coalition (Sponsor)
Agromin

OPPOSITION

None at this time

CONTACTS

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