

SENATE BILL REPORT

SB 6780

As Reported By Senate Committee On:
Agriculture & Rural Economic Development, February 07, 2008

Title: An act relating to a sales and use tax exemption for farm machinery and equipment sold at an auction.

Brief Description: Providing a sales and use tax exemption for farm machinery and equipment sold at an auction.

Sponsors: Senators Hatfield, Holmquist, Rasmussen, Delvin, Morton, Sheldon, Schoesler, Honeyford and Shin.

Brief History:

Committee Activity: Agriculture & Rural Economic Development: 2/4/08, 2/7/08 [DPS-WM].

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 6780 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Rasmussen, Chair; Hatfield, Vice Chair; Schoesler, Ranking Minority Member; Jacobsen, Morton and Shin.

Staff: Sam Thompson (786-7413)

Background: Retail sale and use tax exemptions apply to sales by an auctioneer of personal property, including household goods, used in farming when the seller is a farmer and the sale is conducted on a farm.

Retail sale and use tax exemptions also apply for eligible farmers for purchases of replacement parts for farm machinery and charges for installing the parts and repairing the machinery. Eligible farmers must be actively engaged in producing agricultural products which resulted in at least \$10,000 in gross proceeds during the previous year. The machinery must be primarily used in producing agricultural products.

Summary of Bill (Recommended Substitute): Retail sale and use tax exemptions are provided for farm machinery and equipment sold by an auctioneer at locations other than on a farm. To qualify, the auctioneer must have taken possession of the items from a farmer eligible for current sales and use tax exemptions for purchases of replacement parts for farm machinery and charges for installing the parts and repairing the machinery. The farmer must

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also have provided the auctioneer with an exemption certificate. The auctioneer must keep records necessary for the Department of Revenue to verify eligibility.

EFFECT OF CHANGES MADE BY AGRICULTURE & RURAL ECONOMIC DEVELOPMENT COMMITTEE (Recommended Substitute): The proposed substitute bill clarifies that the sales and use tax exemptions apply only to sales conducted at auctions.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: PRO: This legislation is one of the priority measures jointly proposed by 29 agricultural associations after a Washington agricultural summit meeting in December 2007. It will appropriately enable off-farm auction sales of farm machinery and equipment to qualify for the tax exemptions currently applying to on-farm auction sales. The fiscal impact in the fiscal note is based on unrealistic assumptions and is too high.

CON: As drafted, this legislation would give auctioneers an unfair advantage over farm equipment dealers. In addition, it is not clear that auctioneers would have to conduct sales at an auction to qualify for the exemptions. The bill should be clarified and expanded to include farm equipment dealers.

Persons Testifying: PRO: Jack Field, Washington Cattlemen's Association; Tim Boyd, Washington State Potato Commission.

CON: Ron Moore, Pacific Northwest Hardware and Implement Association.