

HOUSE BILL REPORT

HB 1926

As Reported By House Committee On: Agriculture & Ecology

Title: An act relating to excise tax exemptions for agricultural machinery and equipment used in field and turf grass seed farming.

Brief Description: Exempting machinery and equipment used in field and turf grass seed farming from sales and use taxation.

Sponsors: Representatives Sterk, Sheahan, Crouse, Benson, Schoesler, Koster, Chandler, Mastin, Mulliken, Dunn and McMorris.

Brief History:

Committee Activity:

Agriculture & Ecology: 2/24/97, 2/27/97 [DPS].

HOUSE COMMITTEE ON AGRICULTURE & ECOLOGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Chandler, Chairman; Parlette, Vice Chairman; Schoesler, Vice Chairman; Linville, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; Cooper; Delvin; Koster; Mastin; Regala and Sump.

Staff: Bill Lynch (786-7092).

Background: The sales tax is imposed on retail sales within the state of most items of tangible personal property and on some services. The state sales tax rate is 6.5 percent and is applied to the price of the article or service. The use tax is imposed on the use of an item in this state when the acquisition of the item has not been subject to sales tax. The use tax is imposed at the same rate as the sales tax and is applied against the value of the property used.

There are a number of statutory exceptions to the state sales and use taxes. These exceptions include sales of materials and supplies directly used in packing perishable horticultural products; leases of certain irrigation equipment; labor and services rendered in constructing or improving farm worker housing; and sales of tangible personal property that becomes an ingredient of new or existing farm worker housing.

There are no exceptions from the state sales and use taxes for sales to a field and turf grass seed farmer of machinery and equipment used directly in such farming. There is no exemption from the state sales tax for labor and services provided in respect to installing, repairing, cleaning, altering, or improving such machinery and equipment.

Summary of Substitute Bill: The state sales tax does not apply to sales to a field and turf grass seed farmer of machinery and equipment used directly in field and turf grass seed farming. The state sales tax also does not apply to labor and services furnished for installing, repairing, cleaning, altering, or improving the field and turf grass seed equipment. The exemptions from the state sales tax only apply when the purchaser provides the seller with an exemption certificate prescribed by the Department of Revenue. The seller must keep a copy of the certificate in the seller's files.

The use tax does not apply to the use of machinery and equipment by a field and turf grass seed farmer that is used directly in field and turf grass seed farming.

A field and turf grass seed farmer— is defined as a farmer who burned acreage dedicated to producing field or turf grass seed under a permit issued by the Department of Ecology in 1995, or a farmer who would have burned acreage to produce field or turf grass seed in 1995 but did not because of crop rotation.

Machinery and equipment are eligible for this exception if they are used in planting, growing, producing, harvesting, or the initial storage of field and turf grass seed, or if they are used in the movement of field and turf grass seed from the place of harvest to the place of initial storage. Machinery and equipment are not eligible for this exception if they are used for hire by farmers for purposes unrelated to field and turf grass seed farming.

Substitute Bill Compared to Original Bill: The requirement for a farmer to provide the Department of Revenue with a duplicate exemption certificate or a summary of exempt sales is deleted. Language is added to make machinery and equipment ineligible for the exception if it is used for hire by farmers for purposes unrelated to field and turf grass seed farming.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The ruling by the Department of Ecology to phase-out grass burning will be felt this harvest season. Because fields cannot be burned, more tillage will be

required. Farmers must buy equipment they ordinarily would not need and it is expensive. Because the farmers would not ordinarily buy the equipment, there is no real lost revenue to the state.

Testimony Against: None.

Testified: John Cornwall, Intermountain Grass Growers Association; Larry Gady; and Scott Hennessey (in favor).