

ANALYSIS OF HB 1926

*House Agriculture & Ecology Committee
1997*

February 24,

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% 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 if the buyer provides the seller with an exemption certificate.

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:

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, and the purchaser provides the department with a duplicate of the certificate or a summary of exempt sales as required by the department. 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. The exception from the use tax only applies when the user provides the Department of Revenue with an exemption

certificate in a form and manner prescribed by the department within 60 days of first using the machinery or equipment in the state, or the user provides the department an annual summary listing the machinery and equipment by January 31st of each year following the year in which the machinery or equipment is first used in the state.

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 it is used in planting, growing, producing, harvesting, or the initial storage of field and turf grass seed, or if it is used in the movement of field and turf grass seed from the place of harvest to the place of initial storage.