

# ***ANALYSIS OF HB 1987***

***House Agriculture & Ecology Committee***  
***1999***

***February 22,***

Tax exemptions are created in order to encourage alternatives to field burning of cereal grains and field and turf grass grown for seed.

## **BACKGROUND:**

The Department of Ecology has phased out the ability of farmers to burn field and turf grass for seed in most instances because of concerns over the air emissions resulting from the burning. The Department initially adopted a regulation which provided that without regard to any previous burn history, each farmer in 1996 was limited to burning the greater of: two-thirds of the acres burned under a permit issued in 1995, or two-thirds of the acres in grass seed production on May 1, 1996. Beginning in 1997 and until approved alternatives become available, each farmer was limited to burning no more than one-third of the acres in grass seed production on May 1, 1996. In May 1998, burning was no longer authorized for field and turf grass seed unless an exemption applied because the department concluded that mechanical residue management constitutes a practical alternative to burning. This process is reasonably available throughout the state wherever baling can be used.

Burning is still allowed, however, for cereal grains as a method to get rid of the straw. A memorandum of understanding has been signed by the Washington Association of Wheat Growers and the Departments of Agriculture and Ecology to reduce emissions from agricultural burning by 50 percent over the next 7 years. Tax incentives to encourage alternatives to this burning may result in further reductions in air emissions from burning cereal grains and field and turf grass grown for seed.

## **SUMMARY:**

The retail sales tax does not apply to sales of machinery and equipment, or to services rendered in constructing structures, installing, constructing, repairing, cleaning, decorating, altering, or improving structures or eligible machinery or equipment, or to sales of personal property that is a component or ingredient of eligible structures, machinery or equipment, that meets the criteria for reducing agricultural burning of cereal grains and field and turf grass grown for seed.

The use tax does not apply in respect to the use of machinery and equipment, or personal property that becomes a component or ingredient of eligible machinery and equipment that meets the criteria for reducing agricultural burning of cereal grains and field and turf grass grown for seed.

The retail sales and use tax exemptions apply if the machinery, equipment, or structure is used

primarily for:

(1) Gathering, densifying, processing, handling, storing, transporting, or incorporating straw or straw-based products that will result in less field burning of cereal grains and field and turf grass grown for seed;

(2) Decreasing air emissions resulting from field burning of cereal grains and turf grass grown for seed; or

(3) Otherwise materially contributing to the reduction of field burning of cereal grains and field and turf grass grown for seed.

In order to claim the retail sales and use tax exemptions, the person taking the exemption must keep records necessary for the Department of Revenue to verify eligibility. The Department of Ecology must furnish the Department of Revenue the information necessary for administration of these exemptions. In order to claim the retail sales tax exemption, the buyer must provide the seller with an exemption certificate in a form and manner prescribed by the Department of Revenue. The seller must keep a copy of the certificate in the seller's files.

All personal property which is exempt from the retail sales and use taxes because it meets the criteria for reducing agricultural burning of cereal grains and field and turf grass grown for seed is also exempt from property taxes.

A person who is eligible for the retail sales or use tax exemption for purchasing eligible machinery and equipment or constructing eligible structures, may take a credit against the business and occupation tax equal to fifty percent of the amount of costs expended for which an exemption was taken. An applicant is not eligible for tax credits in excess of the amount of tax that would otherwise be due, and approved credits may not be carried over to subsequent years or be exchanged for refunds. No application is necessary to obtain the business and occupation tax credit, but the person taking the credit must keep records necessary for the Department of Revenue to verify eligibility. No business and occupation tax credit may be claimed for expenditures that occurred before the effective date of this legislation.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

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