

SENATE BILL REPORT

ESB 6250

As Passed Senate, February 14, 2000

Title: An act relating to tax exemptions and credits for structures and equipment used to reduce agricultural burning of cereal grains and field and turf grass grown for seed.

Brief Description: Providing tax exemptions and credits to encourage a reduction in agricultural burning of cereal grains and field and turf grass grown for seed.

Sponsors: Senators Rasmussen, Loveland, Morton, Brown, T. Sheldon, Swecker, Stevens, Eide and Gardner; by request of Department of Agriculture.

Brief History:

Committee Activity: Ways & Means: 1/26/2000, 2/8/2000 [DP].
Passed Senate, 2/14/2000, 47-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Loveland, Chair; Bauer, Vice Chair; Brown, Vice Chair; Fairley, Fraser, Honeyford, Kline, Kohl-Welles, Long, McDonald, Rasmussen, Rossi, B. Sheldon, Snyder, Spanel, Winsley, Wojahn and Zarelli.

Staff: David Schumacher (786-7474)

Background: The sales tax is imposed on retail sales of most items of tangible personal property and some services. Use tax is imposed on the use of an item in Washington when the acquisition of the item or service has not been subject to sales tax. The combined state and local sales and use tax rate is between 7 and 8.6 percent, depending on location.

Machinery and equipment sold to a manufacturer or a processor for hire that are directly used in a manufacturing operation or in a research and development operation are exempt from sales tax and use tax.

The business and occupation tax (B&O) is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state. Currently, there are six different B&O tax rates. The three principal rates are:

Manufacturing, wholesaling	0.484 percent
Retailing	0.471 percent
Services	1.5 percent

All real and personal property in Washington is subject to property tax each year based on its value unless a specific exemption is provided by law. The amount of property tax due is determined by multiplying the assessed value of the property by the tax rate for each

taxing district in which the property is located. There are two broad classes of property. Real property consists of land and the buildings, structures and improvements that are affixed to the land. Personal property consists of all other property. Several exemptions from property tax are provided in state law.

Summary of Bill: A sales and use tax exemption is provided on the sales of machinery and equipment and the labor costs of installation and repair of such equipment, if that equipment is used more than half the time (1) for gathering or processing straw that results in a reduction in field burning or (2) to decrease air emission resulting from field burning. The sales tax exemption expires January 1, 2006.

A B&O tax credit equal to 50 percent of the costs of constructing structures or acquiring equipment is provided. The credit may not exceed the taxpayers B&O liability and may not be carried forward to future years. The B&O credit expires January 1, 2006.

A personal property tax exemption is provided for machinery and equipment that is exempt under the sales tax exemption. The exemption is for taxes collected in years 2001 through 2006.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The agriculture industry is over-regulated and faces hard economic times. This bill will encourage alternate uses of straw, both to decrease burning and to increase jobs. The bill should be changed so that machinery could qualify if it is used primarily—rather than exclusively— for the stated purposes.

Testimony Against: None.

Testified: PRO: Tom Frick, Ray Shindler, WA Wheat Growers Association; Stu Clark, Dept. of Ecology; Mary Beth Lang, Dept. of Agriculture; Peter McMillen, Dept. of Commerce, Trade, and Economic Development.