

SENATE BILL REPORT

SB 5947

As Reported By Senate Committee On:
Agriculture & International Trade, February 23, 2001
Ways & Means, March 26, 2001

Title: An act relating to tax exemptions and credits for dairy farmers and anaerobic digesters.

Brief Description: Providing tax exemptions and credits to dairy farmers.

Sponsors: Senators Rasmussen, Morton, Gardner and Honeyford.

Brief History:

Committee Activity: Agriculture & International Trade: 2/21/01, 2/23/01 [DPS-WM].
Ways & Means: 3/6/01, 3/26/01 [DP2S, DNP].

SENATE COMMITTEE ON AGRICULTURE & INTERNATIONAL TRADE

Majority Report: That Substitute Senate Bill No. 5947 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Rasmussen, Chair; Shin, Vice Chair; Parlette and Swecker.

Staff: Bob Lee (786-7404)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5947 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Brown, Chair; Constantine, Vice Chair; Fairley, Vice Chair; Fraser, Hewitt, Honeyford, Long, Parlette, Rasmussen, Roach, Rossi, Sheahan, B. Sheldon, Snyder, Spanel, Winsley and Zarelli.

Minority Report: Do not pass.

Signed by Senator Regala.

Staff: Terry Wilson (786-7433)

Background: In 1998, the Legislature enacted the Dairy Nutrient Management Act to address water quality concerns associated with dairy farms. The legislation requires that each dairy farm in the state develop and implement a nutrient management plan that meets standard specifications. Plans include both physical and management elements. Physical elements include such items as pumps, pipes, spray guns, lagoons, concrete pads and structures, gutters and down spouts.

Pursuant to the 1998 legislation, plans are to be developed and approved by July 1, 2002. Plans must be certified that they have been fully implemented by December 31, 2003.

Summary of Second Substitute Bill: Once a dairy nutrient management plan has been certified as being fully implemented, the purchase of services, replacement equipment and parts necessary to maintain the plan are exempt from the retail sales and use tax. To obtain an exemption certificate, persons must submit an application to the Department of Revenue and satisfy eligibility requirements.

The retail sales and use tax must not apply to the sale of an anaerobic digester nor to services to install, construct or repair the digester. To qualify, the anaerobic digester must be used primarily to treat dairy manure.

Second Substitute Bill Compared to Substitute Bill: The substitute bill provided a business and occupation tax credit to a person who installs an anaerobic digester for up to 50 percent of the purchase and construction costs of the digester. Dairy nutrient management equipment and facilities certified as being fully implemented and anaerobic digesters were exempted from real and personal property taxes for a period of six years.

Substitute Bill Compared to Original Bill: Throughout the bill, it is clarified that tax exemptions for dairy farms take effect after the farm's nutrient management plan has been certified as being fully implemented.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For (Agriculture & International Trade): Dairy farms are required to expend a significant amount of funds to implement dairy nutrient management plans. The present requirement that dairy farmers then be subject to increased property taxes and sales taxes to maintain compliance with plans are disincentives to staying in business. Instead, there should be an incentive for farms to maintain facilities to stay in compliance rather than a tax penalty for constructing facilities that improve the environment.

Testimony Against (Agriculture & International Trade): None.

Testified (Agriculture & International Trade): Mary Beth Lang, Dept. of Agriculture; Chris Cheney, Dairy Federation (pro).

Testimony For (Ways & Means): All of the costs for these facilities now rest on the farmers. This bill originated with the Department of Agriculture. Anaerobic digesters are used to produce electricity. It is a truly renewable energy source. It costs \$100,000 to implement a dairy nutrient management plan. The exemption is only for maintenance and not purchase. It only applies after certification.

Testimony Against (Ways & Means): None.

Testified (Ways & Means): PRO: Senator Rasmussen, prime sponsor; Chris Cheney, Dairy Federation.