

SHB 2457 - S AMD

By Senators Doumit, Schoesler, Prentice

ADOPTED 03/03/2006

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** A new section is added to chapter 82.08 RCW
4 to read as follows:

5 (1) The tax levied by RCW 82.08.020 does not apply to the sale to
6 an eligible farmer of replacement parts for qualifying farm machinery
7 and equipment.

8 (2) Notwithstanding anything to the contrary in this chapter, if
9 replacement parts are installed by the seller during the course of
10 repairing, cleaning, altering, or improving qualifying farm machinery
11 and equipment and the seller makes a separate charge for the parts, the
12 tax levied by RCW 82.08.020 does not apply to the separately stated
13 charge to an eligible farmer for replacement parts but only if the
14 separately stated charge does not exceed either the seller's current
15 publicly stated retail price for the parts or, if no separately stated
16 retail price is available, the seller's cost for the parts. However,
17 the exemption provided by this section shall not apply if replacement
18 parts are installed by the seller during the course of repairing,
19 cleaning, altering, or improving qualifying farm machinery and
20 equipment and the seller makes a single nonitemized charge for
21 providing the parts and service.

22 (3)(a) A person claiming an exemption under this section must keep
23 records necessary for the department to verify eligibility under this
24 section. An exemption is available only when the buyer provides the
25 seller with an exemption certificate issued by the department
26 containing such information as the department requires. The exemption
27 certificate shall be in a form and manner prescribed by the department.
28 The seller shall retain a copy of the certificate for the seller's
29 files.

1 (b) The department shall provide an exemption certificate to an
2 eligible farmer or renew an exemption certificate, upon application by
3 that eligible farmer. The application must be in a form and manner
4 prescribed by the department and shall contain the following
5 information as required by the department:

6 (i) The name and address of the applicant;

7 (ii) The uniform business identifier or tax reporting account
8 number of the applicant, if the applicant is required to be registered
9 with the department;

10 (iii) The type of farming engaged in;

11 (iv) A copy of the applicant's Schedule F of Form 1040, Form 1120,
12 or other applicable form filed with the internal revenue service
13 indicating the gross sales of agricultural products by the applicant in
14 the calendar year immediately preceding the year that the application
15 was made to the department. If application is made before the due date
16 of the applicant's federal income tax return for the prior calendar
17 year, or any extension of the due date, the applicant shall provide a
18 copy of the appropriate federal income tax form that was due for the
19 second calendar year immediately preceding the year that the
20 application is made to the department. If the applicant is not
21 required to file federal income tax returns, the department may require
22 the applicant to provide copies of other documents establishing the
23 amount of the applicant's gross sales of agricultural products for the
24 relevant calendar year;

25 (v) The name of the individual authorized to sign the certificate,
26 printed in a legible fashion;

27 (vi) The signature of the authorized individual; and

28 (vii) Other information the department may require to verify the
29 applicant's eligibility for the exemption.

30 (c)(i) Except as otherwise provided in this section, exemption
31 certificates issued by the department are not transferable and are
32 valid for the calendar year in which the certificate is issued and the
33 following four calendar years. The department shall attempt to notify
34 holders of exemption certificates of the impending expiration of the
35 certificate at least sixty days before the certificate expires and
36 shall provide an application for renewal of the certificate.

37 (ii) When a certificate holder merely changes identity or form of

1 ownership of an entity and there is no change in beneficial ownership,
2 the exemption certificate shall be transferred to the new entity upon
3 notice to the department by the transferor or transferee.

4 (d)(i) Exemption certificates issued to persons who are eligible
5 farmers under subsection (4)(b)(iii) of this section are conditioned on
6 the person making at least ten thousand dollars of gross sales of
7 agricultural products grown, raised, or produced by that person in the
8 first full calendar year that the person engages in business as a
9 farmer.

10 (ii) A person who is issued a conditional exemption certificate
11 must provide the department with a copy of the person's Schedule F of
12 Form 1040, Form 1120, or other applicable form filed with the internal
13 revenue service indicating the gross sales of agricultural products by
14 the person in the first full calendar year that the person engaged in
15 business as a farmer. If a person is not required to file federal
16 income tax returns, the person shall provide copies of other documents
17 establishing the amount of the person's gross sales of agricultural
18 products for the first full calendar year that the person engaged in
19 business as a farmer. The documentation required in this subsection
20 (3)(d)(ii) is due no later than December 31st of the year immediately
21 following the first full calendar year in which the person engaged in
22 business as a farmer.

23 (iii) If a person fails to provide the required documentation to
24 the department by the due date or any extension granted by the
25 department, or if the condition in (d)(i) of this subsection is not
26 met, the department shall revoke the exemption certificate. The
27 department shall notify the person in writing of the revocation and the
28 person's responsibility, and due date, for repayment of any taxes for
29 which an exemption under this section was claimed. Any taxes for which
30 an exemption under this section was claimed shall be due and payable
31 within thirty days of the date of the notice revoking the certificate.
32 The department shall assess interest on the taxes for which the
33 exemption was claimed. Interest shall be assessed at the rate provided
34 for delinquent excise taxes under chapter 82.32 RCW, retroactively to
35 the date the exemption was claimed, and shall accrue until the taxes
36 for which the exemption was claimed are repaid. Penalties shall not be
37 imposed on any tax required to be repaid if full payment is received by

1 the due date. Nothing in this subsection (3)(d) prohibits a person
2 from reapplying for an exemption certificate.

3 (4) The definitions in this subsection apply to this section.

4 (a) "Agricultural products" has the meaning provided in RCW
5 82.04.213.

6 (b) "Eligible farmer" means:

7 (i) A farmer as defined in RCW 82.04.213 whose gross proceeds of
8 sales of agricultural products grown, raised, or produced by that
9 person is at least ten thousand dollars in the calendar year
10 immediately preceding the year in which a claim of exemption is made
11 under this section;

12 (ii) The transferee of an exemption certificate under subsection
13 (3)(c)(ii) of this section where the transferred certificate expires
14 before the transferee engages in farming operations for a full calendar
15 year, if the combined gross proceeds of sales by the transferor and
16 transferee of agricultural products that they have grown, raised, or
17 produced meet the requirements of (b)(i) of this subsection;

18 (iii) A farmer as defined in RCW 82.04.213, who does not meet the
19 definition of "eligible farmer" in (b)(i) or (ii) of this subsection,
20 and who did not engage in farming for the entire calendar year
21 immediately preceding the year in which application for exemption under
22 this section is made and who did not engage in farming in any other
23 year;

24 (iv) Anyone who otherwise meets the definition of "eligible farmer"
25 in this subsection except that they are not a "person" as defined in
26 RCW 82.04.030.

27 (c) "Qualifying farm machinery and equipment" means machinery and
28 equipment used primarily for growing, raising, or producing
29 agricultural products. "Qualifying farm machinery and equipment" does
30 not include:

31 (i) Farm vehicles and other vehicles as those terms are defined in
32 chapter 46.04 RCW, except farm tractors as defined in RCW 46.04.180 and
33 other farm implements. For purposes of this subsection (4)(c)(i),
34 "farm implement" does not include lawn tractors and all-terrain
35 vehicles;

36 (ii) Aircraft;

37 (iii) Hand tools and hand-powered tools; and

38 (iv) Property with a useful life of less than one year.

1 (d) "Replacement parts" means those parts that replace an existing
2 part, or which are essential to maintain the working condition, of a
3 piece of qualifying farm machinery or equipment. However, "replacement
4 parts" shall not include paint, fuel, oil, grease, hydraulic fluids,
5 antifreeze, and similar items.

6 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.12 RCW
7 to read as follows:

8 (1) The provisions of this chapter do not apply in respect to the
9 use by an eligible farmer of replacement parts for qualifying farm
10 machinery and equipment.

11 (2) Notwithstanding anything to the contrary in this chapter, if
12 replacement parts are installed by the seller during the course of
13 repairing, cleaning, altering, or improving qualifying farm machinery
14 and equipment and the seller makes a separate charge for the parts, the
15 tax imposed by this chapter does not apply to the separately stated
16 charge to an eligible farmer for replacement parts but only if the
17 separately stated charge does not exceed either the seller's current
18 publicly stated retail price for the parts or, if no separately stated
19 retail price is available, the seller's cost for the parts. However,
20 the exemption provided by this section shall not apply if replacement
21 parts are installed by the seller during the course of repairing,
22 cleaning, altering, or improving qualifying farm machinery and
23 equipment and the seller makes a single nonitemized charge for
24 providing the parts and service.

25 (3) The definitions and recordkeeping requirements in section 1 of
26 this act, other than the exemption certificate requirement, apply to
27 this section.

28 NEW SECTION. **Sec. 3.** This act takes effect July 1, 2006."

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1 On page 1, line 2 of the title, after "equipment;" strike the
2 remainder of the title and insert "adding a new section to chapter
3 82.08 RCW; adding a new section to chapter 82.12 RCW; and providing an
4 effective date."

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