

HOUSE BILL REPORT

HB 2457

As Reported by House Committee On:
Finance

Title: An act relating to excise tax relief for farm machinery and equipment.

Brief Description: Providing excise tax relief for farm machinery and equipment.

Sponsors: Representative Grant.

Brief History:

Committee Activity:

Finance: 1/10/06, 2/6/06 [DPS].

Brief Summary of Substitute Bill

- Exempts farmers from sales and use tax on replacement parts for farm machinery and equipment.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives McIntire, Chair; Orcutt, Ranking Minority Member; Roach, Assistant Ranking Minority Member; Ahern, Condotta, Conway, Ericks, Santos and Shabro.

Minority Report: Do not pass. Signed by 2 members: Representatives Hunter, Vice Chair and Hasegawa.

Staff: Rick Peterson (786-7150).

Background:

Sales tax is imposed on the retail sales of most items of tangible personal property and some services, including repair services. The use tax is imposed on items used in the state that were not subject to the retail sales tax and includes purchases made in other states and from sellers who do not collect Washington sales tax.

The state sales and use tax rate is 6.5 percent. In addition, cities, counties, and transit districts may impose local option sales and use taxes for general purposes as well as a variety of specific purposes. As of December 2005, local rates ranged from 0.5 percent to 2.4 percent.

Summary of Substitute Bill:

Farmers are exempt from sales and use tax on the purchase of replacement parts for farm machinery and equipment. The exemption covers machinery and equipment designed for the purpose of growing, raising, or producing agricultural products.

Substitute Bill Compared to Original Bill:

The substitute limits the exemption to replacement parts for farm machinery and equipment.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect on July 1, 2006.

Testimony For: (In support) Farm prices are not keeping pace with increased farming costs. When margins are tight farmers must make equipment last longer by repairing it and they will buy used equipment. The sales tax exemption for used equipment and repairs will provide significant help to farms. Ninety-seven percent of farms are family farms. Farmers cannot raise their prices to recover higher costs of production. The market determines the price.

(With concerns) This sales tax exemption will reduce revenue to local governments. Options for reducing this impact should be considered. The definition of farm machinery and equipment should require it be used exclusively or primarily for a farm purpose. The bill should not be limited to the purchase of used machinery and equipment. Sometimes it makes more sense to buy new equipment for an operation where reliability is critical.

Testimony Against: None.

Persons Testifying: (In support) Representative Grant, prime sponsor; Representative Buri; John Stuhlmiller, Washington Farm Bureau; Jeff Emtmann; Heather Hansen, Washington Association of Wheat Growers; Ron Wesen; David Fenn; Terry Willis, Olympic View Dairy, LLC; and Robert Hayes, Cowlitz Prairie Dairy.

(With concerns) Gil Brewer, Department of Revenue.

Persons Signed In To Testify But Not Testifying: None.