
Finance Committee

HB 2424

Brief Description: Providing sales and use tax exemptions for users of farm fuel.

Sponsors: Representative Grant.

Brief Summary of Bill

- Exempts farmers from sales and use tax on diesel fuel used for non-highway purposes.

Hearing Date: 1/10/06

Staff: Rick Peterson (786-7150).

Background:

Sales tax is imposed on the retail sales of most items of tangible personal property and some services. The use tax is imposed on the privilege of using tangible personal property or services in instances where the sales tax does not apply. Sales and use taxes are levied by the state, counties, and cities, and total rates vary from 7 to 8.9 percent.

Motor vehicle fuel (gasoline) and special fuel (primarily diesel) are exempt from sales and use tax when the motor vehicle and special fuel taxes apply. Special fuel used for off-road business purposes is exempt from the special fuel tax and so becomes subject to the retail sales and use tax.

Federal law requires diesel fuel used for off-road business purposes to be dyed. Diesel fuel that is exempt from highway fuel taxes is often called "red dyed fuel."

Summary of Bill:

Diesel fuel used by farmers for non-highway purposes is exempt from sales and use tax. The exemption also covers diesel fuel used for soil preparation services, crop cultivation services, and crop harvesting services. The exemption does not cover fuel used for home heating.

Appropriation: None.

Fiscal Note: Available.

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