

# SENATE BILL REPORT

## HB 2424

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As Reported By Senate Committee On:  
Agriculture & Rural Economic Development, January 17, 2006  
Ways & Means, February 7, 2006

**Title:** An act relating to excise tax exemptions for users of farm fuel.

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

**Sponsors:** Representatives Grant, Kessler, Williams, Morrell, Condotta, Clibborn, Linville, Cox, Hunt, Buck, Conway, Haigh, Sump, P. Sullivan, Walsh, Springer, Buri, Haler, Newhouse, Ericksen, Morris, Ericks, Kretz, Strow, B. Sullivan, Dunn, Upthegrove, Ormsby, McDermott, Holmquist and Takko.

**Brief History:** Passed House: 1/11/06, 96-1.

**Committee Activity:** Agriculture & Rural Economic Development: 1/16/06, 1/17/06 [DP-WM].

Ways & Means: 2/2/05, 2/7/06 [DPA].

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### SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

**Majority Report:** Do pass and be referred to Committee on Ways & Means.

Signed by Senators Rasmussen, Chair; Shin, Vice Chair; Schoesler, Ranking Minority Member; Delvin, Jacobsen, Morton and Sheldon.

**Staff:** Bob Lee (786-7404)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended.

Signed by Senators Prentice, Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Hewitt, Parlette, Pflug, Pridemore, Rasmussen, Roach, Rockefeller and Schoesler.

**Staff:** Dean Carlson (786-7305)

**Background:** Clear diesel and red-dyed diesel used for farm purposes are subject to the sales and use tax rather than the highway fuel tax. The most common type is red-dyed diesel which is a requirement of the federal program for assuring non-highway fuel is not being used for highway use. Because red-dyed diesel is not to be used for highway use, when it is sold, the highway fuel taxes are not included in the diesel price.

Clear diesel may also be used for farm purposes. However, for clear diesel, the highway fuel tax is already included in the price of the fuel. Thus, a refund claim must be submitted to the Department of Licensing. The refund consists of the difference between the highway fuel tax and the sales and use tax.

**Summary of Amended Bill:** Diesel, both red-dyed and clear, and aircraft fuel sold to a farm fuel user for non-highway purposes is exempt from the sales and use tax. A farm fuel user includes a farmer or a person doing custom farm work such as soil preparation, crop cultivation, and crop harvesting.

To obtain this exemption, the buyer must provide the seller with an exemption certificate in a form and manner prescribed by the Department of Revenue.

Fuel sold to a farm fuel user and used for space or water heating and human habitation is not exempt.

For red-dyed diesel, no refund claim is required to be filed by the purchaser with the Department of Licensing. For clear diesel, submission of a refund claim will continue to be required.

**Amended Bill Compared to Original Bill:** The amended bill includes a sales and use tax exemption for aircraft fuel sold to a farm user.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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

**Testimony For (Agriculture & Rural Economic Development):** For the first time in history, a gallon of diesel costs more than a bushel of wheat. The drop in wheat prices combined with the doubling of fuel prices is causing farm loans not to be renewed and farm auctions to occur. From 2003 to 2005, even though the dairy reduced its fuel consumption by 12 percent, its fuel bill increased by 210 percent. A doubling of the fuel prices resulted in a doubling of the sales tax.

**Testimony Against (Agriculture & Rural Economic Development):** Counties have been impacted by a number of measures that have reduced their taxing base. This bill will further reduce Whitman County's revenue by between \$75,000 and \$100,000. A way to support local agriculture but keep local governments whole should be looked at, such as a flat per gallon tax to replace the local sales tax.

**Who Testified (Agriculture & Rural Economic Development):** PRO: Representative Bill Grant; Representative David Buri; Terri Willis; Ron Wessen; David Fenn; Tim Boyd, Washington State Potato Commission; Chuck Hayes, Jack Field, Washington State Cattlemen's Association; John Stuhlmiller, Washington Farm Bureau; Jim Zimmerman, Washington Fish Growers Association.

CON: Bob Lothspeigh, Whitman County Treasurer; Julie Sexton, Washington State Association of Counties.

OTHER: Gil Brewer, Department of Revenue.

**Testimony For (Ways & Means):** Washington is one of three state that has a sales tax on farm diesel. Right now diesel is more expensive than a bushel of wheat. There is an

emergency clause because farmers are getting ready to buy their diesel for their spring work. This is the best bill for farmers. We would like an amendment to help spray pilots be exempt from sales tax on their fuel. The quicker this bill moves the better. Wheat growers have been hit hard in this state and need this tax break. This is real relief for farmers. Aerial applicators would like to be included in this bill.

**Testimony Other (Ways & Means):** Local Governments are going to lose a lot of money with this proposal.

**Who Testified (Ways & Means):** PRO: Representative Bill Grant; Senator Joyce Mulliken; Jack Field, Washington State Cattlemen's Association; John Stuhlmiller, Washington Farm Bureau; Jay Gordon, Washington State Dairy Federation; Heather Hansen, Washington Association of Wheat Growers; Charlie Brown, Washington Asparagus Council; Tom Dent, citizen.

OTHER: Gil Brewer, Department of Revenue; Maureen Morris, Washington State Association of Counties.