
Finance Committee

HB 1376

Brief Description: Providing a sales and use tax exemption for the nonhighway use of propane by farmers.

Sponsors: Representatives Ericks, Haler, Takko, Pettigrew, Buri, Walsh, Kretz, Grant, Linville, Chandler, Kessler, McDonald, Morrell, Armstrong, Warnick, Newhouse, P. Sullivan and Chase.

<p>Brief Summary of Bill</p> <ul style="list-style-type: none">• Provides a sales and use tax exemption for the nonhighway use of propane by farmers.
--

Hearing Date: 2/7/07

Staff: Jeff Mitchell (786-7139).

Background:

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not collected when the property or services were acquired by the user. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. The state tax is deposited in the State General Fund. Local tax rates vary from 0.5 percent to 2.4 percent, depending on the location. The average local tax rate is 2.0, for an average combined state and local tax rate of 8.5 percent.

Fuel is exempt from sales and use tax when the motor vehicle or special fuel tax applies. Fuel used for nonhighway purposes is exempt from fuel tax, but is generally subject to the retail sales and use tax.

Motor vehicle fuel is gasoline. Special fuel is any fuel other than gasoline and includes diesel and propane fuel.

The current fuel tax rate is 34 cents per unit volume.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Propane and natural gas sold to farmers to heat structures used to house chickens are exempt from sales and use tax.

Legislation passed last year also exempts diesel and aircraft fuel used by farmers for nonhighway farm activities from sales and use tax. The exemption also covers diesel and aircraft fuel used for soil preparation services, crop cultivation services, and crop harvesting services. The exemption does not cover fuel used for home heating. The exemption does not include propane fuel.

Summary of Bill:

Propane fuel used by farmers for nonhighway farm activities is also exempted from sales and use tax. The exemption does not cover fuel used for home heating.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on August 1, 2007.