

SENATE BILL REPORT

HB 1376

As Reported By Senate Committee On:
Agriculture & Rural Economic Development, March 19, 2007

Title: An act relating to a sales and use tax exemption for the nonhighway use of propane by farmers.

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.

Brief History: Passed House: 3/13/07, 86-9.

Committee Activity: Agriculture & Rural Economic Development: 3/19/07 [DP-WM].

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

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

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

Staff: Sam Thompson (786-7413)

Background: Sales to farmers of propane or natural gas used to heat structures housing chickens are exempt from retail sales and use tax. The propane or natural gas must be used exclusively to heat the structures and the chickens must be eventually sold as agricultural products.

Sales of diesel or aircraft fuel used for producing agricultural products by farmers and persons providing horticultural services for farmers are also exempt from retail sales and use tax.

A broader tax exemption for sales of propane used by farmers is suggested.

Summary of Bill: A retail sales and use tax exemption for propane used by farmers and persons providing horticultural services for farmers is established. The exemption does not apply to propane used for residential water or space heating.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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.

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

Staff Summary of Public Testimony: PRO: Propane was left out of a farm fuel tax relief bill enacted last year; this bill rectifies that omission. This exemption will allow Washington agriculture to become more competitive with out-of-state producers that have lower production costs. The fiscal note appears to be too high based on the amount of propane actually used for agricultural purposes.

Persons Testifying: PRO: Representative Ericks, prime sponsor; Mel Sorensen, Northwest Propane Gas Association; Ben Buchholz, Washington State Council of Farmer Cooperatives.