
ENGROSSED HOUSE BILL 1902

State of Washington

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By Representatives Grant, Newhouse, Linville, Orcutt, Blake, Hailey, Walsh, P. Sullivan, Kristiansen, Dunn and Hinkle

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1 AN ACT Relating to the sales and use taxation of repairs to farm
2 machinery and equipment; and amending RCW 82.08.855 and 82.12.855.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 82.08.855 and 2006 c 172 s 1 are each amended to read
5 as follows:

6 (1) The tax levied by RCW 82.08.020 does not apply to the sale to
7 an eligible farmer of:

8 (a) Replacement parts for qualifying farm machinery and equipment;

9 (b) Labor and services rendered in respect to the installing of
10 replacement parts exempt under (a) of this subsection, regardless of
11 whether items excluded from the definition of replacement parts in
12 subsection (3)(f)(ii) of this section are installed, incorporated, or
13 placed in qualifying farm machinery and equipment during the course of
14 the installation; and

15 (c) Labor and services rendered in respect to the repairing of
16 qualifying farm machinery and equipment, provided that during the
17 course of repairing no tangible personal property is installed,
18 incorporated, or placed in, or becomes an ingredient or component of,
19 the qualifying farm machinery and equipment other than: (i)

1 Replacement parts exempt under (a) of this subsection; and (ii) items
2 excluded from the definition of replacement parts in subsection
3 (3)(f)(ii) of this section.

4 ~~(2) ((Notwithstanding anything to the contrary in this chapter, if~~
5 ~~replacement parts are installed by the seller during the course of~~
6 ~~repairing, cleaning, altering, or improving qualifying farm machinery~~
7 ~~and equipment and the seller makes a separate charge for the parts, the~~
8 ~~tax levied by RCW 82.08.020 does not apply to the separately stated~~
9 ~~charge to an eligible farmer for replacement parts but only if the~~
10 ~~separately stated charge does not exceed either the seller's current~~
11 ~~publicly stated retail price for the parts or, if no separately stated~~
12 ~~retail price is available, the seller's cost for the parts. However,~~
13 ~~the exemption provided by this section shall not apply if replacement~~
14 ~~parts are installed by the seller during the course of repairing,~~
15 ~~cleaning, altering, or improving qualifying farm machinery and~~
16 ~~equipment and the seller makes a single nonitemized charge for~~
17 ~~providing the parts and service.~~

18 ~~(3))~~(a) A person claiming an exemption under this section must
19 keep records necessary for the department to verify eligibility under
20 this section. An exemption is available only when the buyer provides
21 the seller with an exemption certificate issued by the department
22 containing such information as the department requires. The exemption
23 certificate shall be in a form and manner prescribed by the department.
24 The seller shall retain a copy of the certificate for the seller's
25 files.

26 (b) The department shall provide an exemption certificate to an
27 eligible farmer or renew an exemption certificate, upon application by
28 that eligible farmer. The application must be in a form and manner
29 prescribed by the department and shall contain the following
30 information as required by the department:

- 31 (i) The name and address of the applicant;
32 (ii) The uniform business identifier or tax reporting account
33 number of the applicant, if the applicant is required to be registered
34 with the department;
35 (iii) The type of farming engaged in;
36 (iv) A copy of the applicant's Schedule F of Form 1040, Form 1120,
37 or other applicable form filed with the internal revenue service
38 indicating the gross sales of agricultural products by the applicant in

1 the calendar year immediately preceding the year that the application
2 was made to the department. If application is made before the due date
3 of the applicant's federal income tax return for the prior calendar
4 year, or any extension of the due date, the applicant shall provide a
5 copy of the appropriate federal income tax form that was due for the
6 second calendar year immediately preceding the year that the
7 application is made to the department. If the applicant is not
8 required to file federal income tax returns, the department may require
9 the applicant to provide copies of other documents establishing the
10 amount of the applicant's gross sales of agricultural products for the
11 relevant calendar year;

12 (v) The name of the individual authorized to sign the certificate,
13 printed in a legible fashion;

14 (vi) The signature of the authorized individual; and

15 (vii) Other information the department may require to verify the
16 applicant's eligibility for the exemption.

17 (c)(i) Except as otherwise provided in this section, exemption
18 certificates take effect on the date issued by the department are not
19 transferable and are valid for the remainder of the calendar year in
20 which the certificate is issued and the following four calendar years.
21 The department shall attempt to notify holders of exemption
22 certificates of the impending expiration of the certificate at least
23 sixty days before the certificate expires and shall provide an
24 application for renewal of the certificate.

25 (ii) When a certificate holder merely changes identity or form of
26 ownership of an entity and there is no change in beneficial ownership,
27 the exemption certificate shall be transferred to the new entity upon
28 notice to the department by the transferor or transferee.

29 (d)(i) Exemption certificates issued to persons who are eligible
30 farmers under subsection (~~(+4)~~) (3)(b)(iii) of this section are
31 conditioned on the person making at least ten thousand dollars of gross
32 sales of agricultural products grown, raised, or produced by that
33 person in the first full calendar year that the person engages in
34 business as a farmer.

35 (ii) A person who is issued a conditional exemption certificate
36 must provide the department with a copy of the person's Schedule F of
37 Form 1040, Form 1120, or other applicable form filed with the internal
38 revenue service indicating the gross sales of agricultural products by

1 the person in the first full calendar year that the person engaged in
2 business as a farmer. If a person is not required to file federal
3 income tax returns, the person shall provide copies of other documents
4 establishing the amount of the person's gross sales of agricultural
5 products for the first full calendar year that the person engaged in
6 business as a farmer. The documentation required in this subsection
7 ~~((3))~~ (2)(d)(ii) is due no later than December 31st of the year
8 immediately following the first full calendar year in which the person
9 engaged in business as a farmer.

10 (iii) If a person fails to provide the required documentation to
11 the department by the due date or any extension granted by the
12 department, or if the condition in (d)(i) of this subsection is not
13 met, the department shall revoke the exemption certificate. The
14 department shall notify the person in writing of the revocation and the
15 person's responsibility, and due date, for ~~((repayment))~~ payment of any
16 taxes for which an exemption under this section was claimed. Any taxes
17 for which an exemption under this section was claimed shall be due and
18 payable within thirty days of the date of the notice revoking the
19 certificate. The department shall assess interest on the taxes for
20 which the exemption was claimed. Interest shall be assessed at the
21 rate provided for delinquent excise taxes under chapter 82.32 RCW,
22 retroactively to the date the exemption was claimed, and shall accrue
23 until the taxes for which the exemption was claimed are repaid.
24 Penalties shall not be imposed on any tax required to be repaid if full
25 payment is received by the due date. Nothing in this subsection
26 ~~((3))~~ (2)(d) prohibits a person from reapplying for an exemption
27 certificate.

28 ~~((4))~~ (3) The definitions in this subsection apply to this
29 section.

30 (a) "Agricultural products" has the meaning provided in RCW
31 82.04.213.

32 (b) "Eligible farmer" means:

33 (i) A farmer as defined in RCW 82.04.213 whose gross proceeds of
34 sales or harvested value of agricultural products grown, raised, or
35 produced by that person is at least ten thousand dollars in the
36 calendar year immediately preceding the year in which ~~((a claim of~~
37 ~~exemption is made under this section))~~ an application for exemption
38 under this section is submitted to the department;

1 (ii) The transferee of an exemption certificate under subsection
2 (~~(3)~~) (2)(c)(ii) of this section where the transferred certificate
3 expires before the transferee engages in farming operations for a full
4 calendar year, if the combined gross proceeds of sales ~~((by))~~ or
5 harvested value of agricultural products that the transferor and
6 transferee ~~((of agricultural products that they))~~ have grown, raised,
7 or produced meet the requirements of (b)(i) of this subsection;

8 (iii) A farmer as defined in RCW 82.04.213, who does not meet the
9 definition of "eligible farmer" in (b)(i) or (ii) of this subsection,
10 and who did not engage in farming for the entire calendar year
11 immediately preceding the year in which application for exemption under
12 this section is made and who did not engage in farming in any other
13 year;

14 (iv) Anyone who otherwise meets the definition of "eligible farmer"
15 in this subsection except that they are not a "person" as defined in
16 RCW 82.04.030.

17 (c) "Farm vehicle" has the same meaning as in RCW 46.04.181.

18 (d) "Harvested value" means the number of units of the agricultural
19 product that were grown, raised, or produced, multiplied by the average
20 sales price of the agricultural product. For purposes of this
21 subsection (3)(d), "average sales price" means the average price per
22 unit of agricultural product received by farmers in this state as
23 reported by the United States department of agriculture's national
24 agricultural statistics service for the twelve-month period that
25 coincides with, or that begins or ends closest to, the calendar year
26 immediately preceding the calendar year during which an application for
27 exemption under this section is submitted to the department or the
28 first full calendar year during which a person engages in business as
29 a farmer, as the case may be, regardless of whether the prices are
30 subject to revision. If the price per unit of an agricultural product
31 received by farmers in this state is not available from the national
32 agricultural statistics service, average sales price may be determined
33 by using the average price per unit of agricultural product received by
34 farmers in this state as reported by a recognized authority for the
35 agricultural product.

36 (e) "Qualifying farm machinery and equipment" means machinery and
37 equipment used primarily for growing, raising, or producing

1 agricultural products. "Qualifying farm machinery and equipment" does
2 not include:

3 (i) ~~((Farm vehicles and other))~~ Vehicles as ((those terms are
4 defined in chapter 46.04 RCW, except)) defined in RCW 46.04.670, other
5 than farm tractors as defined in RCW 46.04.180, farm vehicles, and
6 other farm implements. For purposes of this subsection ((4)(e))
7 (3)(e)(i), "farm implement" means machinery or equipment manufactured,
8 designed, or reconstructed for agricultural purposes and used primarily
9 by an eligible farmer to grow, raise, or produce agricultural products,
10 but does not include lawn tractors and all-terrain vehicles;

- 11 (ii) Aircraft;
- 12 (iii) Hand tools and hand-powered tools; and
- 13 (iv) Property with a useful life of less than one year.

14 ~~((d))~~ (f)(i) "Replacement parts" means those parts that replace
15 an existing part, or which are essential to maintain the working
16 condition, of a piece of qualifying farm machinery or equipment.
17 ~~((However,))~~

18 (ii) "Replacement parts" ~~((shall))~~ do not include paint, fuel, oil,
19 grease, hydraulic fluids, antifreeze, and similar items.

20 **Sec. 2.** RCW 82.12.855 and 2006 c 172 s 2 are each amended to read
21 as follows:

22 (1) The provisions of this chapter do not apply in respect to the
23 use by an eligible farmer of:

24 (a) Replacement parts for qualifying farm machinery and equipment;

25 (b) Labor and services rendered in respect to the installing of
26 replacement parts exempt under (a) of this subsection, regardless of
27 whether items excluded from the definition of replacement parts in RCW
28 82.08.855(3)(f)(ii) are installed, incorporated, or placed in
29 qualifying farm machinery and equipment during the course of the
30 installation; and

31 (c) Labor and services rendered in respect to the repairing of
32 qualifying farm machinery and equipment, provided that during the
33 course of repairing no tangible personal property is installed,
34 incorporated, or placed in, or becomes a component of, the qualifying
35 farm machinery and equipment other than: (i) Replacement parts exempt
36 under (a) of this subsection; and (ii) items excluded from the
37 definition of replacement parts in RCW 82.08.855(3)(f)(ii).

1 (2) (~~Notwithstanding anything to the contrary in this chapter, if~~
2 ~~replacement parts are installed by the seller during the course of~~
3 ~~repairing, cleaning, altering, or improving qualifying farm machinery~~
4 ~~and equipment and the seller makes a separate charge for the parts, the~~
5 ~~tax imposed by this chapter does not apply to the separately stated~~
6 ~~charge to an eligible farmer for replacement parts but only if the~~
7 ~~separately stated charge does not exceed either the seller's current~~
8 ~~publicly stated retail price for the parts or, if no separately stated~~
9 ~~retail price is available, the seller's cost for the parts. However,~~
10 ~~the exemption provided by this section shall not apply if replacement~~
11 ~~parts are installed by the seller during the course of repairing,~~
12 ~~cleaning, altering, or improving qualifying farm machinery and~~
13 ~~equipment and the seller makes a single nonitemized charge for~~
14 ~~providing the parts and service.~~

15 (3)) The definitions and recordkeeping requirements in RCW
16 82.08.855, other than the exemption certificate requirement, apply to
17 this section.

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