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**ENGROSSED SUBSTITUTE HOUSE BILL 2352**

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**State of Washington**                      **60th Legislature**                      **2007 Regular Session**

**By**            House    Committee    on    Finance    (originally    sponsored    by  
Representatives Grant, Linville, Simpson and Bailey)

READ FIRST TIME 03/12/07.

1            AN ACT Relating to the excise taxation of persons engaged in  
2 farming and farming services; adding a new section to chapter 82.04  
3 RCW; adding a new section to chapter 82.16 RCW; and providing an  
4 expiration date.

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

6            NEW SECTION.    **Sec. 1.**    A new section is added to chapter 82.04 RCW  
7 to read as follows:

8            (1) This chapter does not apply to any:

9            (a) Person performing custom farming services for a farmer. To  
10 qualify under this subsection (1)(a):

11            (i) The person performing custom farming services must be: (A) A  
12 farmer; or (B) owned by a farmer who has at least a fifty percent  
13 interest in the person performing custom farming services; and

14            (ii) The principal place of business of the person performing  
15 custom farming services must be within fifty miles of the farmer  
16 receiving custom farming services; or

17            (b) Person performing farm management services, contract labor  
18 services, services provided with respect to animals that are  
19 agricultural products, or any combination of these services, for a

1 farmer or for a person performing custom farming services, when the  
2 person performing the farm management services, contract labor  
3 services, services with respect to animals, or any combination of these  
4 services, and the farmer or person performing custom farming services  
5 are related.

6 (2) The exemption provided by this section shall not apply to any  
7 person selling agricultural products at retail or to any person selling  
8 manufactured substances or articles.

9 (3) The definitions in this subsection apply throughout this  
10 section.

11 (a) "Custom farming services" means the performance of specific  
12 farming operations through the use of any farm machinery or equipment,  
13 farm implement, or draft animal, together with an operator, when: (i)  
14 The specific farming operation consists of activities directly related  
15 to the growing, raising, or producing of any agricultural product to be  
16 sold or consumed by a farmer; and (ii) the performance of the specific  
17 farming operation is for, and under a contract with, or the direction  
18 or supervision of, a farmer. "Custom farming services" does not  
19 include the custom application of fertilizers, chemicals, or  
20 biologicals.

21 For the purposes of this subsection (3)(a), "specific farming  
22 operation" includes specific planting, cultivating, or harvesting  
23 activities, or similar specific farming operations. The term does not  
24 include veterinary services as defined in RCW 18.92.010; farrier,  
25 boarding, training, or appraisal services; artificial insemination or  
26 stud services, agricultural consulting services; packing or processing  
27 of agricultural products; or pumping or other waste disposal services.

28 (b) "Farm management services" means the consultative decisions  
29 made for the operations of the farm including, but not limited to,  
30 determining which crops to plant, the choice and timing of application  
31 of fertilizers and chemicals, the horticultural practices to apply, the  
32 marketing of crops and livestock, and the care and feeding of animals.

33 (c) "Related" means having any of the relationships specifically  
34 described in section 267(b) (1) through (13) of the internal revenue  
35 code, as amended or renumbered as of January 1, 2007.

36 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.16 RCW  
37 to read as follows:

1           (1) This chapter shall not apply to any person hauling agricultural  
2 products or farm machinery or equipment for a farmer or for a person  
3 performing custom farming services, when the person providing the  
4 hauling and the farmer or person performing custom farming services are  
5 related.

6           (2) The exemption provided by this section shall not apply to the  
7 hauling of any substances or articles manufactured from agricultural  
8 products. For the purposes of this subsection, "manufactured" has the  
9 same meaning as "to manufacture" in RCW 82.04.120.

10           (3) The definitions in RCW 82.04.213 and section 1 of this act  
11 apply to this section.

12           NEW SECTION.   **Sec. 3.** This act expires December 31, 2020.

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