
HOUSE BILL 2572

State of Washington

64th Legislature

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By Representatives Dent, Blake, Buys, Schmick, Chandler, Peterson, Manweller, Johnson, Walsh, Holy, Caldier, Klippert, Griffey, Haler, and Hargrove

Read first time 01/15/16. Referred to Committee on Finance.

1 AN ACT Relating to a sales and use tax exemption for replacement
2 parts for agricultural aircraft; amending RCW 82.08.855; and creating
3 new sections.

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

5 **Sec. 1.** RCW 82.08.855 and 2015 3rd sp.s. c 6 s 1106 are each
6 amended to read as follows:

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

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

11 (b) Labor and services rendered in respect to the installing of
12 replacement parts; and

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

19 (2)(a) Notwithstanding anything to the contrary in this chapter,
20 if a single transaction involves services that are not exempt under
21 this section and services that would be exempt under this section if

1 provided separately, the exemptions provided in subsection (1)(b) and
2 (c) of this section apply if: (i) The seller makes a separately
3 itemized charge for labor and services described in subsection (1)(b)
4 or (c) of this section; and (ii) the separately itemized charge does
5 not exceed the seller's usual and customary charge for such services.

6 (b) If the requirements in (a)(i) and (ii) of this subsection (2)
7 are met, the exemption provided in subsection (1)(b) or (c) of this
8 section applies to the separately itemized charge for labor and
9 services described in subsection (1)(b) or (c) of this section.

10 (3)(a) A purchaser claiming an exemption under this section must
11 keep records necessary for the department to verify eligibility under
12 this section. Sellers making tax-exempt sales under this section must
13 obtain an exemption certificate from the purchaser in a form and
14 manner prescribed by the department. In lieu of an exemption
15 certificate, a seller may capture the relevant data elements as
16 allowed under the streamlined sales and use tax agreement. The seller
17 must retain a copy of the certificate or the data elements for the
18 seller's files.

19 (b)(i) For a person who is an eligible farmer as defined in
20 subsection (4)(~~(b)~~) (c)(iv) of this section, the exemption is
21 conditioned upon:

22 (A) The eligible farmer having gross sales or a harvested value
23 of agricultural products grown, raised, or produced by that person or
24 gross sales of bee pollination services of at least ten thousand
25 dollars in the first full tax year in which the person engages in
26 business as a farmer; or

27 (B) The eligible farmer, during the first full tax year in which
28 that person engages in business as a farmer, growing, raising, or
29 producing agricultural products or bee pollination services having an
30 estimated value at any time during that year of at least ten thousand
31 dollars, if the person will not sell or harvest an agricultural
32 product or bee pollination service during the first full tax year in
33 which the person engages in business as a farmer.

34 (ii) If a person fails to meet the condition provided in
35 (b)(i)(A) or (B) of this subsection, the person must repay any taxes
36 exempted under this section. Any taxes for which an exemption under
37 this section was claimed are due and payable to the department within
38 thirty days of the end of the first full tax year in which the person
39 engages in business as a farmer. The department must assess interest
40 on the taxes for which the exemption was claimed as provided in

1 chapter 82.32 RCW, retroactively to the date the exemption was
2 claimed, and accrues until the taxes for which the exemption was
3 claimed are paid. Penalties may not be imposed on any tax required to
4 be paid under this subsection (3)(b)(ii) if full payment is received
5 by the due date.

6 (4) The definitions in this subsection apply throughout this
7 section unless the context clearly requires otherwise.

8 (a) "Agricultural aircraft" means aircraft that is used for the
9 purposes of:

10 (i) Dispensing substances intended for preventing, destroying,
11 repelling, or mitigating any insect, rodent, nematode, fungus, weed,
12 or other forms of plant or animal life or virus, not including
13 viruses on or living in humans or animals;

14 (ii) Dispensing any other substance intended for plant
15 nourishment, soil treatment, propagation of plant life, or pest
16 control; or

17 (iii) Engaging in dispensing or nondispensing activities that
18 directly affect agriculture, horticulture, or forest preservation,
19 but not including the dispensing of live insects.

20 (b) "Agricultural products" has the meaning provided in RCW
21 82.04.213.

22 (~~(b)~~) (c) "Eligible farmer" means:

23 (i) A farmer as defined in RCW 82.04.213 whose gross sales or
24 harvested value of agricultural products grown, raised, or produced
25 by that person or gross sales of bee pollination services was at
26 least ten thousand dollars for the immediately preceding tax year;

27 (ii) A farmer as defined in RCW 82.04.213 whose agricultural
28 products had an estimated value of at least ten thousand dollars for
29 the immediately preceding tax year, if the person did not sell or
30 harvest an agricultural product or bee pollination service during
31 that year;

32 (iii) A farmer as defined in RCW 82.04.213 who has merely changed
33 identity or the form of ownership of an entity that was an eligible
34 farmer, where there was no change in beneficial ownership, and the
35 combined gross sales, harvested value, or estimated value of
36 agricultural products or bee pollination services by both entities
37 met the requirements of (~~(b)~~) (c)(i) or (ii) of this subsection for
38 the immediately preceding tax year;

39 (iv) A farmer as defined in RCW 82.04.213 who does not meet the
40 definition of "eligible farmer" in (~~(b)~~) (c)(i), (ii), or (iii) of

1 this subsection, and who did not engage in farming for the entire
2 immediately preceding tax year, because the farmer is either new to
3 farming or newly returned to farming; or

4 (v) Anyone who otherwise meets the definition of "eligible
5 farmer" in this subsection except that they are not a "person" as
6 defined in RCW 82.04.030.

7 ~~((e))~~ (d) "Farm vehicle" has the same meaning as in RCW
8 46.04.181.

9 ~~((d))~~ (e) "Harvested value" means the number of units of the
10 agricultural product that were grown, raised, or produced, multiplied
11 by the average sales price of the agricultural product. For purposes
12 of this subsection (4)~~((d))~~ (e), "average sales price" means the
13 average price per unit of agricultural product received by farmers in
14 this state as reported by the United States department of
15 agriculture's national agricultural statistics service for the
16 twelve-month period that coincides with, or that ends closest to, the
17 end of the relevant tax year, regardless of whether the prices are
18 subject to revision. If the price per unit of an agricultural product
19 received by farmers in this state is not available from the national
20 agricultural statistics service, average sales price may be
21 determined by using the average price per unit of agricultural
22 product received by farmers in this state as reported by a recognized
23 authority for the agricultural product.

24 ~~((e))~~ (f) "Qualifying farm machinery and equipment" means
25 machinery and equipment used primarily by an eligible farmer for
26 growing, raising, or producing agricultural products, providing bee
27 pollination services, or both. "Qualifying farm machinery and
28 equipment" does not include:

29 (i) Vehicles as defined in RCW 46.04.670, other than farm
30 tractors as defined in RCW 46.04.180, farm vehicles, and other farm
31 implements. For purposes of this subsection (4)~~((e))~~ (f)(i), "farm
32 implement" means machinery or equipment manufactured, designed, or
33 reconstructed for agricultural purposes and used primarily by an
34 eligible farmer to grow, raise, or produce agricultural products, but
35 does not include lawn tractors and all-terrain vehicles;

36 (ii) Aircraft other than agricultural aircraft;

37 (iii) Hand tools and hand-powered tools; and

38 (iv) Property with a useful life of less than one year.

1 (~~(f)~~) (g)(i) "Replacement parts" means those parts that replace
2 an existing part, or which are essential to maintain the working
3 condition, of a piece of qualifying farm machinery or equipment.

4 (ii) Paint, fuel, oil, hydraulic fluids, antifreeze, and similar
5 items are not replacement parts except when installed, incorporated,
6 or placed in qualifying farm machinery and equipment during the
7 course of installing replacement parts as defined in (~~(f)~~) (g)(i)
8 of this subsection or making repairs as described in subsection
9 (1)(c) of this section.

10 (~~(g)~~) (h) "Tax year" means the period for which a person files
11 its federal income tax return, irrespective of whether the period
12 represents a calendar year, fiscal year, or some other consecutive
13 twelve-month period. If a person is not required to file a federal
14 income tax return, "tax year" means a calendar year.

15 NEW SECTION. **Sec. 2.** This act is not subject to the provisions
16 of RCW 82.32.805 or 82.32.808.

17 NEW SECTION. **Sec. 3.** This act applies to the sale or use of
18 agricultural aircraft occurring on or after July 1, 2016.

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