

SENATE BILL REPORT

SB 5979

As of April 2, 2019

Title: An act relating to providing a sales and use tax deferral for the construction of facilities used for mushroom farming.

Brief Description: Providing a sales and use tax deferral for the construction of facilities used for mushroom farming.

Sponsors: Senator Honeyford.

Brief History:

Committee Activity: Ways & Means: 4/03/19.

Brief Summary of Bill

- Provides a five year sales and use tax deferral on the construction, preparation, and acquisition of related machinery and equipment used in mushroom farming.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Alia Kennedy (786-7405)

Background: Sales and Use Tax. Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.9 percent depending on location.

Manufacturing Machinery and Equipment Sales Tax Exemption. Machinery and equipment (M&E) used by a manufacturer in a manufacturing operation is exempt from the retail sales tax. The M&E exemption includes industrial fixtures, devices, support facilities, and tangible personal property that becomes a component thereof, including repair parts and replacement parts. It does not include hand-powered tools, property with a useful life of less

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than one year, buildings, or building fixtures that are not integral to the manufacturing operation.

Summary of Bill: A person may defer payment of state and local sales and use taxes collected on the construction of buildings, site preparation, and the acquisition of related machinery and equipment used in mushroom farming. The Department of Revenue (DOR) must issue a sales and use tax deferral certificate for qualifying purchases. A person may only apply for a deferral of taxes for one location.

Applications must contain the following information:

- location of the mushroom farm;
- estimated or actual costs;
- time schedules for completion and operation, and
- any other information required by DOR.

Applications that meet the stated requirements must be approved within sixty days.

A person must begin paying deferred taxes in the fifth year after the date certified by DOR as the date in which the mushroom farm is operationally complete. The first payment is due on December 31st of the fifth calendar year and December 31st each year thereafter for nine consecutive years. Each payment must equal 10 percent of the deferred tax. DOR may authorize an accelerated repayment schedule.

Interest may not be charged on deferred taxes during the deferral period; however, all other penalties and interest applicable to delinquent excise taxes may be assessed and imposed for delinquent payments. The debt for deferred taxes is not extinguished by insolvency or other failure of payment by the person claiming a sales and use tax deferral.

Applications and any other information received by DOR are not confidential and subject to disclosure.

This act is exempt from tax preference performance review and automatic expiration.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.