

FINAL BILL REPORT

2EHB 1757

C 222 L 24

Synopsis as Enacted

Brief Description: Providing a sales and use tax remittance to qualified farmers.

Sponsors: Representatives Corry, Springer, Chapman, Dent and Schmidt.

House Committee on Finance

Senate Committee on Ways & Means

Background:

Retail 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 4.0 percent, depending on the location.

Tax Preferences.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Custom Farming and Hauling Farm Products Tax Preferences.

In 2007 the Legislature enacted two tax preferences for farms: a business and occupation

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tax exemption for farmers who provide custom farming services and farm management services to other farmers; and a public utility tax exemption for those who haul farm machinery, equipment, or agricultural products for a related farmer or person performing custom farming services. Both preferences expired December 31, 2020. The Legislature permanently reauthorized the tax preferences beginning July 1, 2022.

Summary:

An eligible farmer may claim a sales and use tax exemption on goods and services purchased. The exemption is in the form of a remittance of up to \$10,000 and the eligible farmer must pay all applicable sales and use taxes on items that are considered goods and services. An eligible farmer means a farmer engaged in custom farming and farm management services activities. The remittance must be claimed before January 1, 2030.

This act is exempt from the TPPS, JLARC review, and automatic 10-year expiration.

Votes on Final Passage:

House	97	1
House	96	1
Senate	45	1

Effective: July 1, 2024