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**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 when the  
10 person performing the custom farming services and the farmer are  
11 related; or

12            (b) Person performing farm management services, contract labor  
13 services, services provided with respect to animals that are  
14 agricultural products, or any combination of these services, for a  
15 farmer or for a person performing custom farming services, when the  
16 person performing the farm management services, contract labor  
17 services, services with respect to animals, or any combination of these  
18 services, and the farmer or person performing custom farming services  
19 are related.

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

4 (3) The definitions in this subsection apply throughout this  
5 section.

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

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

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

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

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

33 (1) This chapter shall not apply to any person hauling agricultural  
34 products or farm machinery or equipment for a farmer or for a person  
35 performing custom farming services, when the person providing the  
36 hauling and the farmer or person performing custom farming services are  
37 related.

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

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

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

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