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**Finance Committee**

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**HB 2275**

**Brief Description:** Providing a sales and use tax exemption for the nonhighway use of propane by farmers.

**Sponsors:** Representatives Kretz, Springer, Shea, Sullivan, Blake, Jacks, Warnick, Short, Hinkle, Schmick, Armstrong, Parker and McCune.

**Brief Summary of Bill**

- Provides a sales and use tax exemption for the non-highway use of propane by farmers.

**Hearing Date:** 2/27/09

**Staff:** Joseph Archuleta (786-7192)

**Background:**

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. If retail sales taxes were not collected when the property or services were acquired by the user, then use taxes apply to the value of most tangible personal property and some services when used in this state. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. The state tax is deposited into the State General Fund. Depending on the location, local tax rates vary from 0.5 percent to 2.4 percent. The average local tax rate is 2.0, for an average combined state and local tax rate of 8.5 percent.

Propane and natural gas sold to farmers to heat structures used to house chickens are exempt from sales and use tax.

Diesel and aircraft fuel used by farmers for non-highway farm activities is exempt from sales and use tax. The exemption also covers diesel and aircraft fuel used for soil preparation services,

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crop cultivation services, and crop harvesting services. The exemption does not cover fuel used for home heating. The exemption does not include propane fuel.

**Summary of Bill:**

Propane fuel used by farmers for non-highway farm activities is also exempted from sales and use tax. The exemption does not cover fuel used for home heating.

**Appropriation:** None.

**Fiscal Note:** Requested.

**Effective Date:** The bill takes effect August 1, 2009