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**Finance Committee**

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**HB 2278**

**Brief Description:** Concerning the sales and use tax exemption for livestock nutrient management equipment and facilities.

**Sponsors:** Representatives Pettigrew, Chandler, Blake, Johnson, Bailey and Schmick.

**Brief Summary of Bill**

- Expands the sales and use tax exemption for livestock nutrient management equipment and facilities.

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

**Staff:** Jeffrey Mitchell (786-7139)

**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 are applied 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. 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.

A sales and use tax exemption applies to the materials, machinery, equipment, and labor and services purchased or used in relation to the operation, repair, cleaning, alteration, or improvement of livestock nutrient management facilities and equipment. Livestock nutrient management facilities and equipment are machinery, equipment, and structures used in the handling and treatment of livestock manure, such as aerators, agitators, alley scrapers, and augers. The exemption includes repair and replacement parts. The exemption requires facilities and equipment to be used exclusively for activities necessary to maintain a livestock nutrient management plan.

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**Summary of Bill:**

The requirement that equipment and facilities must be used exclusively (100 percent) for activities necessary to maintain a livestock nutrient management plan is changed to 90 percent.

The section is reorganized and clarified by separating out the sales and use tax exemption for:

1. services related to livestock nutrient management facilities,
2. services related to livestock nutrient management equipment that is un-affixed to a facility,
3. livestock nutrient management equipment that is un-affixed to a facility, and
4. materials and other property that becomes an ingredient or component of a livestock nutrient management facility.

**Appropriation:** None.

**Fiscal Note:** Requested.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.