
Finance Committee

SB 6157

Brief Description: Concerning a hazardous substance tax exemption for certain hazardous substances defined under RCW 82.21.020(1)(c) that are used as agricultural crop protection products and warehoused but not otherwise used, manufactured, packaged, or sold in this state.

Sponsors: Senators Hatfield, Padden, Hobbs, Schoesler, Hewitt and Ericksen.

Brief Summary of Bill

- Exempts agricultural crop protection products warehoused or transported in Washington from the hazardous substance tax under the Model Toxics Control Act if those products are not used, manufactured, packaged for sale, or sold in Washington.

Hearing Date: 3/7/14

Staff: Kelly Leonard (786-7147).

Background:

Hazardous Substance Tax.

The Model Toxics Control Act (MTCA), which is administered and enforced by the Department of Ecology (DOE), contains the following policy objectives: (1) To raise sufficient funds to clean up all hazardous waste sites in the state; (2) to prevent the creation of future hazards that result from improper disposal of toxic substances into the state's land and waters; and (3) to clean up and reuse contaminated industrial properties, and make clean land available for future use. Under the MTCA, hazardous waste cleanup is funded through a tax on hazardous substances, also referred to as the hazardous substance tax (HST). Hazardous substances include petroleum products, pesticides, and other toxic chemicals specified in statute or deemed by DOE to threaten human health or the environment.

The HST is imposed on the first in-state possessor of hazardous substances at the rate of 0.7 percent on the wholesale value of the product. The HST is reported on the excise tax return and

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collected by the Department of Revenue. Exemptions from the HST include: Possession for personal use or of a minimal nature; possession of products for which the tax has already been paid; possession of alumina or natural gas; and persons or activities which the state is prohibited from taxing under the United States Constitution. A credit against the HST is permitted for any hazardous substance tax paid to another state with respect to the same substance.

Tax Preference Performance Statement.

In 2013 the Legislature passed Chapter 13, Laws of 2013, 2nd sp. s. (ESSB 5882), which requires all new tax preference legislation to include a tax preference performance statement. Tax preferences include deductions, exemptions, preferential tax rates, and tax credits. The performance statement must clearly specify the public policy objectives of the tax preference, and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee (JLARC) to evaluate the efficacy of the tax preference.

Summary of Bill:

Hazardous Substance Tax Exemption.

An exemption from the HST is created. The exemption applies to hazardous substances that are solely for use by farmers as an agricultural crop protection product. To qualify for the exemption, the substance must be warehoused in Washington or transported to or from Washington and may not be used, manufactured, packaged for sale, or sold in Washington.

Tax Preference Performance Statement.

In creating the exemption, the Legislature's policy objective is to retain existing jobs performed to warehouse and transport agricultural crop products. The Legislature intends to exempt only agricultural crop protection products that are shipped into Washington, warehoused in Washington, and ultimately shipped and sold out of Washington in order to reduce the cost of warehousing and shipping products that are held but not used in Washington.

If the JLARC finds that the average employment in the agricultural crop protection warehousing industry remains at least steady following the enactment of the preference, then the Legislature intends to extend the expiration date of the preference. The JLARC may refer to employment data available from the Employment Security Department when conducting its review.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect July 1, 2014.