

# HOUSE BILL REPORT

## HB 2778

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### As Reported By House Committee On:

Agriculture & Ecology

**Title:** An act relating to sales and use tax exemptions for farmworker housing.

**Brief Description:** Providing sales and use tax exemptions for farmworker housing.

**Sponsors:** Representatives Mastin, Chappell, Chandler, Honeyford, Foreman, Mulliken, Lisk, Clements, Sheldon and Thompson; by request of Department of Health and Department of Agriculture.

### Brief History:

#### Committee Activity:

Agriculture & Ecology: 1/31/96, 2/1/96 [DPS].

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## HOUSE COMMITTEE ON AGRICULTURE & ECOLOGY

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Chandler, Chairman; Koster, Vice Chairman; Chappell, Ranking Minority Member; Linville, Assistant Ranking Minority Member; Clements; Delvin; R. Fisher; Honeyford; Johnson; Murray; Ogden; Regala; Robertson; Rust and Schoesler.

**Staff:** Bill Lynch (786-7092).

**Background:** The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state sales tax rate is 6.5 percent and is applied to the selling price of the article or service. The use tax is imposed on the use of an item in this state when the acquisition of the item has not been subject to sales tax. The use tax is imposed at the same rate as the sales tax and is applied against the value of the property used.

There are a number of exceptions to the sales and use tax contained in statute. The sales tax does not apply to labor and services rendered in respect to constructing or improving ferry vessels. Sales and use taxes do not apply to sales to or use of form lumber by a person engaged in constructing, repairing, decorating, or improving new or existing building or structures.

There is no exemption from the sales tax for labor and services rendered on agricultural employee housing. Tangible personal property that becomes an ingredient or component of agricultural employee housing is not exempt from the sales or use taxes.

**Summary of Substitute Bill:** The sales tax does not apply to labor and services rendered in constructing, repairing, decorating, or improving new or existing buildings or other structures used as agricultural employee housing.

The sales tax does not apply to sales of tangible personal property that become ingredients or components of new or existing agricultural employee housing, if the buyer provides the seller with an exemption certificate prescribed by the Department of Revenue. The use tax does not apply to sales of tangible personal property that become ingredients or components of new or existing agricultural employee housing.

The sales and use tax exemptions apply only to year round housing for agricultural employees, if that housing is built according to the state building code. Agricultural employee housing must be used to house agricultural employees for at least five years from the date the housing is approved for occupancy. Housing built for family members and people with an ownership in the farm is not eligible for the tax exemptions. Agricultural employee housing is defined to include year-round and seasonal housing.

**Substitute Bill Compared to Original Bill:** Language is added to require housing provided to year-round employees of the agricultural employer to be built in accordance with the state building code. A five-year minimum period is imposed for which the housing must be used to house agricultural workers. Housing for family members or people with business interests in the farm are excluded. A definition of agricultural employee housing is added. References to farmworkers are changed to agricultural employees.

**Appropriation:** None.

**Fiscal Note:** Requested on January 29, 1996.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** This is an important first step in developing additional incentives for agricultural employers to provide housing to their workers. It is a difficult problem that needs addressing. Any revenue loss will be small.

**Testimony Against:** None.

**Testified:** Bruce Miyahara, Department of Health; Jim Thomas, Department of Revenue; Chris Cheney, Washington Growers League; Pat Boss, Hop Growers of Washington; Jim Halstrom, Washington Horticultural Association; Jim Jesernig, Department of Agriculture; and Maureen Morris, Washington Association of Cities (all in favor).