

HOUSE BILL REPORT

HB 1358

As Reported By House Committee On:

Natural Resources

Finance

Title: An act relating to the taxation of materials purchased by farmers to improve wildlife habitat or forage.

Brief Description: Excluding materials purchased by farmers to improve wildlife habitat or forage from the definition of "sale at retail" or "retail sale" for tax purposes.

Sponsors: Representatives Buck, Regala, Sump, Schoesler, Johnson, Linville, Sheldon, Wensman and Kessler; by request of Department of Revenue.

Brief History:

Committee Activity:

Natural Resources: 2/7/97, 2/14/97 [DPS];

Finance: 3/3/97, 3/7/97 [DPS(NR)].

HOUSE COMMITTEE ON NATURAL RESOURCES

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Buck, Chairman; Sump, Vice Chairman; Thompson, Vice Chairman; Regala, Ranking Minority Member; Butler, Assistant Ranking Minority Member; Alexander; Anderson; Chandler; Hatfield; Pennington and Sheldon.

Staff: Kimberly Klaiber (786-7156).

Background: The Washington Tax Code sets forth the personal property items and personal, business, or professional services that are subject to "retail sales" or "sale at retail" tax. The code exempts from the "retail sale" or "sale at retail" tax, sales of certain items used by participants in federal conservation reserve programs administered by the Department of Agriculture; sales of certain items to farmers for producing any agricultural product for sale; and sales of chemical sprays or washes to anyone for the purpose of post-harvest treatment of fruit for prevention of fungus or decay from the "retail sale" or "sale at retail" tax.

Summary of Substitute Bill: Sales of feed, seed, seedlings, fertilizer, agents for enhanced pollination including insects such as bees, and spray materials to farmers

acting under cooperative habitat development or access contracts with the Washington Department of Fish and Wildlife or other non-profit groups designated as such under 26 U.S.C. 501(c)(3) to produce or improve wildlife habitat on land that the farmer owns or leases are exempt from retail sales tax. Participants in three additional federal environmental programs are eligible for the sales tax exemption as well.

Substitute Bill Compared to Original Bill: The original bill amended the tax code to provide a sales tax exemption to farmers acting under cooperative habitat development or access contracts with the Washington Department of Fish and Wildlife. The substitute bill still allows this exemption but also allows it for groups categorized as non-profit under 26 U.S.C. 501(c)(3).

The substitute bill changes existing law by providing that persons (not limited to farmers) who participate in three additional federal environmental programs are eligible for the tax exemption. Existing law only exempts sales of certain items to person who participate in the federal conservation reserve program or its successor administered by the United States Department of Agriculture.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect on July 1, 1997.

Testimony For: Testimony was in support of the bill, but concern was expressed that the Department of Revenue was in a difficult enforcement position because a farmer may be exempt for all land owned and the farmer may roll the cooperative land into the rest of the property.

Testimony Against: None.

Testified: Jim Hedrick, Department of Revenue.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill by Committee on Natural Resources be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Boldt; Butler; Conway; Kastama; Mason; Morris; Pennington; Schoesler and Van Luven.

Staff: Rick Peterson (786-7150).

Summary of Recommendation of Committee on Finance Compared to Recommendation of Committee on Natural Resources: No new changes are recommended.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect on July 1, 1997.

Testimony For: This bill provides incentives to encourage private participation in projects that will mitigate impacts on wildlife habitat. The bill clarifies an area of tax law that is a potentially unenforceable. Without this bill farmers may have to apportion their purchases into taxable and nontaxable portions.

Testimony Against: None

Testified: (Pro) Representative Buck, prime sponsor; and Jim Hedrick, Department of Revenue.