

# SENATE BILL REPORT

## SB 6210

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As Passed Senate, February 11, 1998

**Title:** An act relating to sales tax exemptions for parts for and repairs to machinery and implements for use in conducting a farming activity transported immediately outside the state.

**Brief Description:** Providing a sales tax exemption for parts used for and repairs to farm machinery and implements used outside the state.

**Sponsors:** Senators Prince, Loveland, Morton and Rasmussen.

**Brief History:**

**Committee Activity:** Agriculture & Environment: 1/27/98, 1/28/98 [DP].  
Passed Senate, 2/11/98, 48-0.

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### SENATE COMMITTEE ON AGRICULTURE & ENVIRONMENT

**Majority Report:** Do pass.

Signed by Senators Morton, Chair; Swecker, Vice Chair; Fraser, McAuliffe, Newhouse, Oke and Rasmussen.

**Staff:** Paul Mabrey (786-7412)

**Background:** The state of Washington levies and collects a tax on each retail sale in the state equal to 6.5 percent of the selling price.

Currently, Washington does not impose the retail sales tax on nonresidents from states without a sales tax. Additionally, Washington does not impose the sales tax on nonresidents who purchase machinery and implements provided that such equipment is used for farming operations outside the state and provided that the equipment is moved outside the state immediately. However, Washington dealers are still required to apply the sales tax to parts, labor, and services for out-of-state customers. Out-of-state customers are discouraged from coming to Washington for these parts and services because of the higher costs due to the sales tax burden.

Because out-of-state customers are not coming to Washington for parts and services, the state does not collect any sales tax revenue from these prospective transactions. The loss of this out-of-state business also results in unearned business and occupation tax revenues from the sale of parts and from the provision of labor and services.

**Summary of Bill:** An exemption for the collection of retail sales tax is provided for the sale of parts for machinery and implements used to conduct farm operations outside the state as well as for labor and services for repair of such machinery and implements. The parts must be transported out of the state immediately.

**Appropriation:** None.

**Fiscal Note:** Requested on January 26, 1998.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Extending the tax exemption to parts, labor and service of machinery and implements used out of state for farm operations would increase out of state business and therefore increase tax revenues from B & O taxes. Without the competitive edge that tax exemption provides, Washington businesses would lose business and therefore would result in a tax loss because of lost B & O tax, employment taxes, and increased unemployment costs.

**Testimony Against:** None.

**Testified:** Mark Triplett, Cat Dealers (pro); Scott Hennessey, Jim Potts, Counties (pro).