

# HOUSE BILL REPORT

## ESB 6250

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### As Reported By House Committee On:

Finance

**Title:** An act relating to tax exemptions and credits for structures and equipment used to reduce agricultural burning of cereal grains and field and turf grass grown for seed.

**Brief Description:** Providing tax exemptions and credits to encourage a reduction in agricultural burning of cereal grains and field and turf grass grown for seed.

**Sponsors:** Senators Rasmussen, Loveland, Morton, Brown, T. Sheldon, Swecker, Stevens, Eide and Gardner; by request of Department of Agriculture.

### Brief History:

#### Committee Activity:

Finance: 2/28/00 [DP].

### Brief Summary of Engrossed Bill

- Creates sales and use, business and occupation, and property tax exemptions for machinery and equipment and expenditures related to reducing field burning of cereal grains and field and turf grass grown for seed.

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## HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 11 members: Representatives Dunshee, Democratic Co-Chair; Thomas, Republican Co-Chair; Cairnes, Republican Vice Chair; Reardon, Democratic Vice Chair; Carrell; Conway; Cox; Dickerson; Pennington; Santos and Van Luven.

**Staff:** Rick Peterson (786-7150).

### Background:

The Department of Ecology has phased out the ability of farmers to burn field and turf grass for seed in most instances because of concerns over the air emissions resulting from the burning. Burning is still allowed, however, for cereal grains as a method to get rid of the straw. A memorandum of understanding has been signed by

the Washington Association of Wheat Growers and the Departments of Agriculture and Ecology to reduce emissions from agricultural burning by 50 percent over seven years.

The sales tax is imposed on retail sales of most items of tangible personal property and some services. Use tax is imposed on the use of an item in Washington when the acquisition of the item or service has not been subject to sales tax. The combined state and local sales and use tax rate is between 7 and 8.6 percent, depending on location.

The business and occupation tax (B&O) is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state. Currently, there are six different B&O tax rates.

All real and personal property in Washington is subject to property tax each year based on its value unless a specific exemption is provided by law. The amount of property tax due is determined by multiplying the assessed value of the property by the tax rate for each taxing district in which the property is located. There are two broad classes of property. Real property consists of land and the buildings, structures and improvements that are affixed to the land. Personal property consists of all other property. Several exemptions from property tax are provided in state law.

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**Summary of Bill:**

A sales and use tax exemption is provided on the sales of machinery and equipment and the labor costs of installation and repair of such equipment, and for building construction if the equipment or building is used more than half the time (1) for gathering or processing straw that results in a reduction in field burning or (2) to decrease air emission resulting from field burning. The sales tax exemption expires January 1, 2006.

A B&O tax credit equal to 50 percent of the costs of constructing structures or acquiring equipment is provided. The credit may not exceed the taxpayers B&O liability and may not be carried forward to future years. The B&O credit expires January 1, 2006.

A personal property tax exemption is provided for machinery and equipment that is exempt under the sales tax exemption. The exemption is for taxes collected in years 2001 through 2006.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** The bill provides incentives to reduce emissions. The problem is how to get rid of the straw without burning. This bill will allow wheat growers to get a jump start to reduce burning by 50 percent. It will help attract a strawboard manufacturer to locate in Eastern Washington.

**Testimony Against:** None.

**Testified:** Ray Shindler, Washington Association of Wheat Growers; Stu Clark, Department of Ecology; Mary Beth Lang, Department of Agriculture; and Peter McMillian, Department of Community, Trade and Economic Development.