

SENATE BILL REPORT

SB 6148

As of January 13, 2006

Title: An act relating to sales and use tax exemptions for fuel used by farmers in farming businesses.

Brief Description: Providing sales and use tax exemptions for fuel used by farmers in farming businesses.

Sponsors: Senators Mulliken, Haugen, Hewitt, Morton, Parlette, Rasmussen, Schoesler, Delvin, Shin, Honeyford and Schmidt.

Brief History:

Committee Activity: Agriculture & Rural Economic Development: 1/16/06.

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

Staff: Bob Lee (786-7404)

Background: Generally, gasoline and diesel is used either for highway use or non-highway use. Fuel used for highway use is subject to state and federal taxes to fund highway projects. The current federal tax for highway use of diesel is 24.4 cents per gallon and the state tax is 31 cents per gallon. The current federal tax for highway use of gasoline is 18.4 cents per gallon and the state tax is 31 cents per gallon.

Diesel and gasoline are two major farm fuels. Fuels used on farms are exempt from the highway fuel taxes.

Most farm diesel is red-dyed diesel. Because of the red-dyed diesel program, this fuel does not contain either the state or federal highway fuel taxes at the time of sale and, thus, no refund process is required. Currently, the sales and use tax is assessed for red-dyed diesel and is assessed at the point of sale.

Some clear diesel and gasoline are also used by farms. However, for clear diesel and gasoline, the highway fuel tax is included prior to purchase and, thus, a refund must be submitted to the Department of Licensing to claim a refund of highway fuel taxes. Currently, when a refund is claimed, the refund will be for the current highway fuel tax (31 cents per gallon) minus the sales and use tax (8.2 percent). Of this 8.2 percent, 6.5 percent is the state component and 1.7 percent is the statewide average local component.

Summary of Bill: Gasoline and diesel is exempt from the sales and use tax when purchased by a farmer for growing, raising, or producing agricultural products for sale and the purchaser is entitled to a refund or exemption from motor vehicle fuel or special fuel taxes.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2006.