
SENATE BILL 5289

State of Washington

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2025 Regular Session

By Senators Schoesler, Boehnke, Dozier, J. Wilson, MacEwen, Holy, Warnick, Wagoner, Fortunato, King, and Krishnadasan

Read first time 01/15/25. Referred to Committee on Ways & Means.

1 AN ACT Relating to providing a sales and use tax exemption for
2 qualifying farm machinery and equipment; amending RCW 82.08.855 and
3 82.12.855; and creating new sections.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 82.08.855 and 2015 3rd sp.s. c 6 s 1106 are each
6 amended to read as follows:

7 (1) The tax levied by RCW 82.08.020 does not apply to the sale to
8 an eligible farmer of:

9 (a) Qualifying farm machinery and equipment;

10 (b) Replacement parts for qualifying farm machinery and
11 equipment;

12 ~~((b))~~ (c) Labor and services rendered in respect to the
13 installing of qualifying farm machinery and equipment or the
14 installing of replacement parts; and

15 ~~((e))~~ (d) Labor and services rendered in respect to the
16 repairing of qualifying farm machinery and equipment, provided that
17 during the course of repairing no tangible personal property is
18 installed, incorporated, or placed in, or becomes an ingredient or
19 component of, the qualifying farm machinery and equipment other than
20 replacement parts.

1 (2) (a) Notwithstanding anything to the contrary in this chapter,
2 if a single transaction involves services that are not exempt under
3 this section and services that would be exempt under this section if
4 provided separately, the exemptions provided in subsection (1) (~~(b)~~
5 ~~and~~) (c) and (d) of this section apply if: (i) The seller makes a
6 separately itemized charge for labor and services described in
7 subsection (1) (~~(b) or~~) (c) or (d) of this section; and (ii) the
8 separately itemized charge does not exceed the seller's usual and
9 customary charge for such services.

10 (b) If the requirements in (a) (i) and (ii) of this subsection (2)
11 are met, the exemption provided in subsection (1) (~~(b) or~~) (c) or
12 (d) of this section applies to the separately itemized charge for
13 labor and services described in subsection (1) (~~(b) or~~) (c) or (d)
14 of this section.

15 (3) (a) A purchaser claiming an exemption under subsection (1) (b)
16 through (d) of this section must keep records necessary for the
17 department to verify eligibility under this section. Sellers making
18 tax-exempt sales under subsection (1) (b) through (d) of this section
19 must obtain an exemption certificate from the purchaser in a form and
20 manner prescribed by the department. In lieu of an exemption
21 certificate, a seller may capture the relevant data elements as
22 allowed under the streamlined sales and use tax agreement. The seller
23 must retain a copy of the certificate or the data elements for the
24 seller's files. A purchaser claiming an exemption under subsection
25 (1) (a) of this section must pay the tax and submit an application for
26 a remittance as provided under subsection (4) of this section.

27 (b) (i) For a person who is an eligible farmer as defined in
28 subsection (~~(4)~~) (5) (b) (iv) of this section, the exemption is
29 conditioned upon:

30 (A) The eligible farmer having gross sales or a harvested value
31 of agricultural products grown, raised, or produced by that person or
32 gross sales of bee pollination services of at least ten thousand
33 dollars in the first full tax year in which the person engages in
34 business as a farmer; or

35 (B) The eligible farmer, during the first full tax year in which
36 that person engages in business as a farmer, growing, raising, or
37 producing agricultural products or bee pollination services having an
38 estimated value at any time during that year of at least ten thousand
39 dollars, if the person will not sell or harvest an agricultural

1 product or bee pollination service during the first full tax year in
2 which the person engages in business as a farmer.

3 (ii) If a person fails to meet the condition provided in
4 (b)(i)(A) or (B) of this subsection, the person must repay any taxes
5 exempted under this section. Any taxes for which an exemption under
6 this section was claimed are due and payable to the department within
7 thirty days of the end of the first full tax year in which the person
8 engages in business as a farmer. The department must assess interest
9 on the taxes for which the exemption was claimed as provided in
10 chapter 82.32 RCW, retroactively to the date the exemption was
11 claimed, and accrues until the taxes for which the exemption was
12 claimed are paid. Penalties may not be imposed on any tax required to
13 be paid under this subsection (3)(b)(ii) if full payment is received
14 by the due date.

15 (4) The exemption under subsection (1)(a) of this section for
16 qualifying farm machinery and equipment is provided in the form of a
17 remittance. An eligible farmer must pay the tax imposed by RCW
18 82.08.020 on purchases eligible for the remittance. The eligible
19 farmer may then apply to the department for remittance of 100 percent
20 of the state tax paid under RCW 82.08.020 on such purchases, subject
21 to the limits and conditions of this section. As part of the
22 application, the eligible farmer must provide invoices for purchases
23 of farm machinery and equipment qualifying for a remittance under
24 this section. An eligible farmer may not apply for more than one
25 remittance under this section per calendar quarter. The department
26 must on a quarterly basis remit exempted amounts to eligible farmers
27 whose applications were approved by the department during the
28 previous quarter.

29 (5) The definitions in this subsection apply throughout this
30 section unless the context clearly requires otherwise.

31 (a) "Agricultural products" has the meaning provided in RCW
32 82.04.213.

33 (b) "Eligible farmer" means:

34 (i) A farmer as defined in RCW 82.04.213 whose gross sales or
35 harvested value of agricultural products grown, raised, or produced
36 by that person or gross sales of bee pollination services was at
37 least ten thousand dollars for the immediately preceding tax year;

38 (ii) A farmer as defined in RCW 82.04.213 whose agricultural
39 products had an estimated value of at least ten thousand dollars for
40 the immediately preceding tax year, if the person did not sell or

1 harvest an agricultural product or bee pollination service during
2 that year;

3 (iii) A farmer as defined in RCW 82.04.213 who has merely changed
4 identity or the form of ownership of an entity that was an eligible
5 farmer, where there was no change in beneficial ownership, and the
6 combined gross sales, harvested value, or estimated value of
7 agricultural products or bee pollination services by both entities
8 met the requirements of (b)(i) or (ii) of this subsection for the
9 immediately preceding tax year;

10 (iv) A farmer as defined in RCW 82.04.213 who does not meet the
11 definition of "eligible farmer" in (b)(i), (ii), or (iii) of this
12 subsection, and who did not engage in farming for the entire
13 immediately preceding tax year, because the farmer is either new to
14 farming or newly returned to farming; or

15 (v) Anyone who otherwise meets the definition of "eligible
16 farmer" in this subsection except that they are not a "person" as
17 defined in RCW 82.04.030.

18 (c) "Farm vehicle" has the same meaning as in RCW 46.04.181.

19 (d) "Harvested value" means the number of units of the
20 agricultural product that were grown, raised, or produced, multiplied
21 by the average sales price of the agricultural product. For purposes
22 of this subsection (~~((+4))~~) (5)(d), "average sales price" means the
23 average price per unit of agricultural product received by farmers in
24 this state as reported by the United States department of
25 agriculture's national agricultural statistics service for the
26 twelve-month period that coincides with, or that ends closest to, the
27 end of the relevant tax year, regardless of whether the prices are
28 subject to revision. If the price per unit of an agricultural product
29 received by farmers in this state is not available from the national
30 agricultural statistics service, average sales price may be
31 determined by using the average price per unit of agricultural
32 product received by farmers in this state as reported by a recognized
33 authority for the agricultural product.

34 (e) "Qualifying farm machinery and equipment" means machinery and
35 equipment used primarily by an eligible farmer for growing, raising,
36 or producing agricultural products, providing bee pollination
37 services, or both. "Qualifying farm machinery and equipment" does not
38 include:

39 (i) Vehicles as defined in RCW 46.04.670, other than farm
40 tractors as defined in RCW 46.04.180, farm vehicles, and other farm

1 implements. For purposes of this subsection (~~((4))~~) (5)(e)(i), "farm
2 implement" means machinery or equipment manufactured, designed, or
3 reconstructed for agricultural purposes and used primarily by an
4 eligible farmer to grow, raise, or produce agricultural products, but
5 does not include lawn tractors and all-terrain vehicles;

6 (ii) Aircraft;

7 (iii) Hand tools and hand-powered tools; and

8 (iv) Property with a useful life of less than one year.

9 (f)(i) "Replacement parts" means those parts that replace an
10 existing part, or which are essential to maintain the working
11 condition, of a piece of qualifying farm machinery or equipment.

12 (ii) Paint, fuel, oil, hydraulic fluids, antifreeze, and similar
13 items are not replacement parts except when installed, incorporated,
14 or placed in qualifying farm machinery and equipment during the
15 course of installing replacement parts as defined in (f)(i) of this
16 subsection or making repairs as described in subsection (1)(~~((e))~~)
17 (d) of this section.

18 (g) "Tax year" means the period for which a person files its
19 federal income tax return, irrespective of whether the period
20 represents a calendar year, fiscal year, or some other consecutive
21 twelve-month period. If a person is not required to file a federal
22 income tax return, "tax year" means a calendar year.

23 **Sec. 2.** RCW 82.12.855 and 2014 c 97 s 603 are each amended to
24 read as follows:

25 (1) The provisions of this chapter do not apply in respect to the
26 use by an eligible farmer of:

27 (a) Qualifying farm machinery and equipment;

28 (b) Replacement parts for qualifying farm machinery and
29 equipment;

30 (~~((b))~~) (c) Labor and services rendered in respect to the
31 installing of replacement parts; and

32 (~~((e))~~) (d) Labor and services rendered in respect to the
33 repairing of qualifying farm machinery and equipment, provided that
34 during the course of repairing no tangible personal property is
35 installed, incorporated, or placed in, or becomes a component of, the
36 qualifying farm machinery and equipment other than replacement parts.

37 (2)(a) Notwithstanding anything to the contrary in this chapter,
38 if a single transaction involves services that are not exempt under
39 this section and services that would be exempt under this section if

1 provided separately, the exemptions provided in subsection (1) (~~(b)~~
2 ~~and~~) (c) and (d) of this section apply if: (i) The seller makes a
3 separately itemized charge for labor and services described in
4 subsection (1) (~~(b) or~~) (c) or (d) of this section; and (ii) the
5 separately itemized charge does not exceed the seller's usual and
6 customary charge for such services.

7 (b) If the requirements in (a) (i) and (ii) of this subsection (2)
8 are met, the exemption provided in subsection (1) (~~(b) or~~) (c) or
9 (d) of this section applies to the separately itemized charge for
10 labor and services described in subsection (1) (~~(b) or~~) (c) or (d)
11 of this section.

12 (3) The definitions (~~and~~), recordkeeping requirements,
13 conditions, and limitations in RCW 82.08.855 apply to this section.

14 (4) If a person is an eligible farmer as defined in RCW
15 82.08.855 (~~(4)~~) (5) (b) (iv) who cannot prove income because the
16 person is new to farming or newly returned to farming, the exemption
17 under this section will apply only if one of the conditions in RCW
18 82.08.855 (3) (b) (i) (A) or (B) is met. If neither of those conditions
19 are met, any taxes for which an exemption under this section was
20 claimed and interest on such taxes must be paid. Amounts due under
21 this subsection shall be in accordance with RCW 82.08.855 (3) (b) (ii).

22 (5) Except as provided in subsection (4) of this section, the
23 department may not assess the tax imposed under this chapter against
24 a person who no longer qualifies as an eligible farmer with respect
25 to the use of any articles or services exempt under subsection (1) of
26 this section, if the person was an eligible farmer when the person
27 first put the articles or services to use in this state.

28 NEW SECTION. **Sec. 3.** RCW 82.32.805 and 82.32.808 do not apply
29 to this act.

30 NEW SECTION. **Sec. 4.** This act applies to sales or uses of
31 qualifying farm machinery and equipment occurring on or after October
32 1, 2025.

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