

HB 1247

Bill Analysis

January 28, 1997

Brief Description: Revising sales and use tax exemptions for farmworker housing.

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Background: The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state tax rate is 6.5 percent. In addition, local sales taxes apply. The total rate is between 7 and 8.6 percent, depending on location. The tax rate is applied to the selling price of the article or service.

Sales tax applies when items are purchased at retail in the state. Sales tax is paid by the purchaser and collected by the seller. Use tax is imposed on the use of an item in this state, when the acquisition of the item has not been subject to sales tax. Use tax applies to items purchased from sellers who do not collect sales tax, items acquired from out-of-state, and items produced by the person using the item. Use tax is equal to the sales tax rate multiplied by the value of the property used.

Sales and use taxes apply to labor, services, and materials used in construction, but some exemptions do exist. In 1996 the Legislature created new sales and use tax exemptions for employer-constructed farmworker housing.

Under the farmworker housing exemptions, sales and use taxes do not apply to labor and services rendered in constructing, repairing, decorating, or improving new or existing buildings or other structures used as agricultural employee housing. Also, sales and use taxes do not apply to sales of tangible personal property that become ingredients or components of new or existing farmworker housing.

To qualify for the farmworker housing exemptions, an employer must construct the housing for agricultural employees. Farmworker housing must be occupied for five years by agricultural employees to be eligible for exemption. However, there are no express provisions in law for the repayment of the tax exemptions if the housing is not occupied for at least five years by agricultural employees.

Summary of Bill: If agricultural employees do not occupy farmworker housing for at least

five consecutive years, after sales and use tax exemptions are claimed, then the full amount of the tax previously waived becomes due and payable with interest. Only the waived taxes and interest must be repaid. No penalties are applied.

The definition of agricultural employee housing eligible for sales and use tax exemptions is broadened. Farmworker housing may be constructed not only by an agricultural employer but also by a:

- „ housing authority;
- „ local, state, or federal government agency; or
- „ nonprofit community or neighborhood-based organization.

Fiscal Note: Requested

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