
**Economic Development,
Agriculture & Trade Committee**

HB 1971

Brief Description: Providing a sales and use tax exemption for certain parts and services for machinery and equipment used by a farmer.

Sponsors: Representatives Haler, Grant, Kretz, Walsh, Kristiansen, Buri, Crouse, Newhouse, Linville, Morrell, Condotta, Holmquist, McCune, Haigh and Schindler.

Brief Summary of Bill

- Exempts from the state and local retail sales and use tax services and parts for machinery and equipment used by a farmer for growing, raising or producing agricultural products.

Hearing Date: 2/25/05

Staff: Meg Van Schoorl (786-7105).

Background:

The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. Sales tax is paid by the purchaser and collected by the seller. The use tax is imposed on items used in the state that were not subject to the retail sales tax and includes purchases made in other states and from sellers who do not collect Washington sales tax. The retail sales and use tax is imposed at a 6.5 percent rate by the state. In addition, state law allows for 17 different local option sales and use taxes for purposes including but not limited to transportation, criminal justice, public safety, public facilities, zoos, and sports stadiums. As of December 2004, local rates ranged from 0.5 percent to 2.4 percent.

Currently, state and local retail sales and use taxes are imposed on services and replacement parts for machinery and equipment used by farmers for growing, raising or producing agricultural products.

Summary of Bill:

Services and replacement parts for machinery and equipment used by a farmer for growing, raising or producing agricultural products are exempted from state and local retail sales and use tax.

"Agricultural product" is defined as any product of plant cultivation or animal husbandry.

"Farmer" is defined as any person engaged in growing, raising, or producing, upon the person's own lands or lands in which the person has a present right of possession, any agricultural product to be sold.

The person taking the tax exemption must keep records so that the Department of Revenue can verify eligibility for the exemption. In order to receive the exemption, the person must present an exemption certificate to the seller, which the seller must retain.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2005.