

FINAL BILL REPORT

SHB 2457

C 172 L 06

Synopsis as Enacted

Brief Description: Authorizing sales and use tax exemptions for replacement parts for farm machinery and equipment.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Grant, Williams, Blake, Clibborn, Linville, Cox, Buck, Haigh, Sump, Newhouse, Walsh, Buri, Haler, Morrell, Morris, Ericks, Strow, O'Brien and Holmquist).

House Committee on Finance

Senate Committee on Agriculture & Rural Economic Development

Senate Committee on Ways & Means

Background:

Sales tax is imposed on the retail sales of most items of tangible personal property and some services, including repair services. 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 state sales and use tax rate is 6.5 percent. In addition, cities, counties, and transit districts may impose local option sales and use taxes for general purposes as well as a variety of specific purposes. As of December 2005, local rates ranged from 0.5 percent to 2.4 percent.

Summary:

Farmers with annual gross sales of agricultural products of \$10,000 or more are exempt from sales and use tax on the purchase of replacement parts for farm machinery and equipment. The exemption covers machinery and equipment designed for the purpose of growing, raising, or producing agricultural products. Farmers must apply with the Department of Revenue for an exemption certificate. The certificate must be renewed every five years. The exemption includes parts for farm tractors and farm implements but not other farm vehicles.

Replacement parts for aircraft, hand tools, hand-powered tools, and equipment with a useful life of less than one year are not included.

Votes on Final Passage:

House	86	10	
Senate	40	4	(Senate amended)
House	95	0	(House concurred)

Effective: July 1, 2006