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**HOUSE BILL 2251**

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**State of Washington 64th Legislature 2015 1st Special Session**

**By** Representatives Tharinger, Takko, Taylor, Blake, Van De Wege, Kretz, Short, Wilcox, and Johnson

AN ACT Relating to providing a sales and use tax exemption for the purchase or use of qualifying timber-felling equipment; adding a new section to chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; creating new sections; providing an effective date; and providing an expiration date.

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

NEW SECTION. **Sec.**  The legislature finds that maintaining a strong, sustainable timber industry is vital to communities dependent on our state's forest resources. The legislature intends to support the timber harvesting industry, which has faced economic hardships due to declines in harvest volume and sawmills. To this end, it is the intent of the legislature to provide tax relief for timber harvesters on the acquisition of certain equipment in order to encourage the growth of mechanized timber harvesting, which increases safety and productivity and reduces impacts on harvesting sites. A viable forest-based economy will revitalize our timber-dependent communities.

NEW SECTION. **Sec.**  This section is the tax preference performance statement for the tax preference contained in this act. This performance statement is only intended to be used for subsequent evaluation of the tax preference. It is not intended to create a private right of action by any party or be used to determine eligibility for preferential treatment.

(1) The legislature categorizes this tax preference as one intended to provide tax relief as indicated in RCW 82.32.808(2)(e).

(2) It is the legislature's specific public policy objective to provide a sales and use tax exemption for the acquisition of feller bunchers and other qualifying timber-felling equipment. It is the legislature's intent to assist the state's timber harvesting industry by reducing the cost of acquiring such equipment.

(3) To measure the effectiveness of the exemption provided in this act, the joint legislative audit and review committee must at a minimum review the fiscal impact of the sales and use tax exemption in this act. In order to obtain the data necessary to perform the review in this subsection (3), the joint legislative audit and review committee should refer to data maintained by the department of revenue.

NEW SECTION. **Sec.**  A new section is added to chapter 82.08 RCW to read as follows:

(1) The tax levied by RCW 82.08.020 does not apply to sales of qualifying timber-felling equipment to eligible timber harvesters.

(2) Sellers making tax-exempt sales under this section must obtain an exemption certificate from the buyer in a form and manner prescribed by the department. In lieu of an exemption certificate, a seller may capture the relevant data elements as allowed under the streamlined sales and use tax agreement. The seller must retain a copy of the exemption certificate or the data elements, as required by RCW 82.32.070.

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

(a) "Eligible timber harvester" means a person engaged in the business of harvesting timber as either or both an extractor, as defined in RCW 82.04.100, or an extractor for hire.

(b)(i) "Qualifying timber-felling equipment" means only the following types of equipment:

(A) A self-propelled machine that is used primarily for severing trees and then placing the unprocessed trees in piles, such as a purpose-built feller buncher or an excavator or other base carrier onto which a felling head is mounted; and

(B) A felling head used solely for severing, holding, and placing the severed trees in piles.

(ii) "Qualifying timber-felling equipment" does not include machinery and equipment, the sale or use of which qualifies for manufacturing machinery sales or use tax exemption under RCW 82.08.02565 or 82.12.02565.

(c) "Used primarily" means the principal purpose for which equipment is used during a calendar year period, which must be supported by contemporaneous written records maintained by the taxpayer such as log books or other evidence satisfactory to the department.

(4) This section expires July 1, 2025.

NEW SECTION. **Sec.**  A new section is added to chapter 82.12 RCW to read as follows:

(1) The tax levied by RCW 82.12.020 does not apply to the use of qualifying timber-felling equipment by an eligible timber harvester. This exemption does not apply to the use of qualifying timber-felling equipment that is acquired or first brought into this state by the taxpayer on or after July 1, 2025.

(2)(a) Timber-felling equipment for which a taxpayer claims an exemption under this section or section 3 of this act must continue to meet the definition of qualified timber-felling equipment until the earlier of:

(i) The date that ownership of the equipment is transferred to an unrelated person;

(ii) The date that the equipment is damaged beyond repair or is otherwise permanently unavailable for the taxpayer's use; or

(iii) January 1st of the calendar year that is at least forty-eight calendar months after the month in which the taxpayer purchased or first used the qualified timber-felling equipment in this state.

(b) Failure of the condition in (a) of this subsection subjects the taxpayer to the tax imposed in RCW 82.12.020 and any interest and penalties as may be applicable under chapter 82.32 RCW. The tax imposed pursuant to this subsection is based on the value of the timber-felling equipment, determined in accordance with RCW 82.12.010(7)(a), as of January 1st of the year in which the timber-felling equipment ceased to meet the definition of qualified timber harvesting equipment or the date the taxpayer purchased or first used the timber-felling equipment in this state, whichever is later.

(3) The definitions in section 3 of this act apply to this section.

NEW SECTION. **Sec.**  This act takes effect August 1, 2015.

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