

# FINAL BILL REPORT

## 2SSB 5663

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### C 420 L 05

Synopsis as Enacted

**Brief Description:** Changing the tax exemptions for machinery and equipment used to reduce agricultural burning.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Rasmussen, Schoesler, Doumit, Honeyford, Parlette, Jacobsen and Mulliken).

**Senate Committee on Agriculture & Rural Economic Development**  
**Senate Committee on Ways & Means**  
**House Committee on Economic Development, Agriculture & Trade**  
**House Committee on Finance**

**Background:** The burning of residues in the production of field and turf grass seed was phased out between 1996 and 1998 pursuant to rules adopted in 1995 by the Department of Ecology (DOE). A reduction in the burning of cereal grain stubble is subject to a memorandum of understanding between the DOE and cereal grain growers that requires a 50 percent reduction in emissions take place between 2000 and 2007.

In 2000, the legislature established tax incentives to encourage implementation of alternatives to burning of cereal grains fields, and fields that produce field grass seed or turf grass seed. An exemption from sales and use taxes is provided for machinery and equipment, and for services in constructing and repairing of buildings. To be eligible, the machinery, equipment, or structures must be used more than half the time in activities related to reduction of field burning. The machinery and equipment exempt from the sales and use tax is also exempt from personal property taxes.

The person taking the exemption must keep records for the Department of Revenue (DOR) to verify eligibility. The exemption is available when the buyer provides the seller with an exemption certificate in a form and manner prescribed by the DOR. The seller is to retain a copy of the certificate for the seller's files.

These exemptions are scheduled to expire on January 1, 2006.

**Summary:** The existing sales and use tax exemption described above would be replaced by new provisions which would continue in effect until January 1, 2011. The exemption from personal property taxes and the credit from business and occupation taxes expire on July 1, 2005.

To qualify for the exemption, the farmer must have more than 50 percent of his or her tillable acres in cereal grains, or field and turf grasses grown for seed production, and be located in a qualified county. To be a qualified county, the county must have at least fifteen thousand acres of cereal grain production.

Sales of the specified machinery and equipment to qualified farmers is exempt from the sales and use tax. Labor and services rendered in respect to constructing hay sheds for qualified farmers or to sales of tangible personal property to qualified farmers that becomes an ingredient or component of hay sheds is exempt from the sales and use tax.

Specified machinery and equipment includes no-till and minimum-till drills, sprayers, plows, chisels, discs, cultivators, harrows, mowers, swathers, power rakes, balers, bale handlers, shredders, transplanters, and tractors over two hundred fifty horsepower designed to pull conservation equipment on steep slopes and highly erodible lands.

No application is necessary for the tax exemption but records are necessary for the DOR to verify eligibility. These records are to be deemed taxpayer information and thus exempt from public disclosure. The seller of qualified equipment must obtain an exemption certificate from the buyer.

**Votes on Final Passage:**

Senate	46	0	
House	94	2	(House amended)
Senate	44	0	(Senate concurred)

**Effective:** July 1, 2005