

CERTIFICATION OF ENROLLMENT

SUBSTITUTE HOUSE BILL 2457

Chapter 172, Laws of 2006

59th Legislature
2006 Regular Session

EXCISE TAX EXEMPTION--FARM EQUIPMENT

EFFECTIVE DATE: 7/1/06

Passed by the House March 4, 2006
Yeas 95 Nays 0

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate March 3, 2006
Yeas 40 Nays 4

BRAD OWEN

President of the Senate

Approved March 22, 2006.

CHRISTINE GREGOIRE

Governor of the State of Washington

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 2457** as passed by the House of Representatives and the Senate on the dates hereon set forth.

RICHARD NAFZIGER

Chief Clerk

FILED

March 22, 2006 - 3:07 p.m.

**Secretary of State
State of Washington**

SUBSTITUTE HOUSE BILL 2457

AS AMENDED BY THE SENATE

Passed Legislature - 2006 Regular Session

State of Washington 59th Legislature 2006 Regular Session

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)

READ FIRST TIME 02/07/06.

1 AN ACT Relating to excise tax relief for farm machinery and
2 equipment; adding a new section to chapter 82.08 RCW; adding a new
3 section to chapter 82.12 RCW; and providing an effective date.

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

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.08 RCW
6 to read as follows:

7 (1) The tax levied by RCW 82.08.020 does not apply to the sale to
8 an eligible farmer of replacement parts for qualifying farm machinery
9 and equipment.

10 (2) Notwithstanding anything to the contrary in this chapter, if
11 replacement parts are installed by the seller during the course of
12 repairing, cleaning, altering, or improving qualifying farm machinery
13 and equipment and the seller makes a separate charge for the parts, the
14 tax levied by RCW 82.08.020 does not apply to the separately stated
15 charge to an eligible farmer for replacement parts but only if the
16 separately stated charge does not exceed either the seller's current
17 publicly stated retail price for the parts or, if no separately stated
18 retail price is available, the seller's cost for the parts. However,
19 the exemption provided by this section shall not apply if replacement

1 parts are installed by the seller during the course of repairing,
2 cleaning, altering, or improving qualifying farm machinery and
3 equipment and the seller makes a single nonitemized charge for
4 providing the parts and service.

5 (3)(a) A person claiming an exemption under this section must keep
6 records necessary for the department to verify eligibility under this
7 section. An exemption is available only when the buyer provides the
8 seller with an exemption certificate issued by the department
9 containing such information as the department requires. The exemption
10 certificate shall be in a form and manner prescribed by the department.
11 The seller shall retain a copy of the certificate for the seller's
12 files.

13 (b) The department shall provide an exemption certificate to an
14 eligible farmer or renew an exemption certificate, upon application by
15 that eligible farmer. The application must be in a form and manner
16 prescribed by the department and shall contain the following
17 information as required by the department:

18 (i) The name and address of the applicant;

19 (ii) The uniform business identifier or tax reporting account
20 number of the applicant, if the applicant is required to be registered
21 with the department;

22 (iii) The type of farming engaged in;

23 (iv) A copy of the applicant's Schedule F of Form 1040, Form 1120,
24 or other applicable form filed with the internal revenue service
25 indicating the gross sales of agricultural products by the applicant in
26 the calendar year immediately preceding the year that the application
27 was made to the department. If application is made before the due date
28 of the applicant's federal income tax return for the prior calendar
29 year, or any extension of the due date, the applicant shall provide a
30 copy of the appropriate federal income tax form that was due for the
31 second calendar year immediately preceding the year that the
32 application is made to the department. If the applicant is not
33 required to file federal income tax returns, the department may require
34 the applicant to provide copies of other documents establishing the
35 amount of the applicant's gross sales of agricultural products for the
36 relevant calendar year;

37 (v) The name of the individual authorized to sign the certificate,
38 printed in a legible fashion;

1 (vi) The signature of the authorized individual; and

2 (vii) Other information the department may require to verify the
3 applicant's eligibility for the exemption.

4 (c)(i) Except as otherwise provided in this section, exemption
5 certificates issued by the department are not transferable and are
6 valid for the calendar year in which the certificate is issued and the
7 following four calendar years. The department shall attempt to notify
8 holders of exemption certificates of the impending expiration of the
9 certificate at least sixty days before the certificate expires and
10 shall provide an application for renewal of the certificate.

11 (ii) When a certificate holder merely changes identity or form of
12 ownership of an entity and there is no change in beneficial ownership,
13 the exemption certificate shall be transferred to the new entity upon
14 notice to the department by the transferor or transferee.

15 (d)(i) Exemption certificates issued to persons who are eligible
16 farmers under subsection (4)(b)(iii) of this section are conditioned on
17 the person making at least ten thousand dollars of gross sales of
18 agricultural products grown, raised, or produced by that person in the
19 first full calendar year that the person engages in business as a
20 farmer.

21 (ii) A person who is issued a conditional exemption certificate
22 must provide the department with a copy of the person's Schedule F of
23 Form 1040, Form 1120, or other applicable form filed with the internal
24 revenue service indicating the gross sales of agricultural products by
25 the person in the first full calendar year that the person engaged in
26 business as a farmer. If a person is not required to file federal
27 income tax returns, the person shall provide copies of other documents
28 establishing the amount of the person's gross sales of agricultural
29 products for the first full calendar year that the person engaged in
30 business as a farmer. The documentation required in this subsection
31 (3)(d)(ii) is due no later than December 31st of the year immediately
32 following the first full calendar year in which the person engaged in
33 business as a farmer.

34 (iii) If a person fails to provide the required documentation to
35 the department by the due date or any extension granted by the
36 department, or if the condition in (d)(i) of this subsection is not
37 met, the department shall revoke the exemption certificate. The
38 department shall notify the person in writing of the revocation and the

1 person's responsibility, and due date, for repayment of any taxes for
2 which an exemption under this section was claimed. Any taxes for which
3 an exemption under this section was claimed shall be due and payable
4 within thirty days of the date of the notice revoking the certificate.
5 The department shall assess interest on the taxes for which the
6 exemption was claimed. Interest shall be assessed at the rate provided
7 for delinquent excise taxes under chapter 82.32 RCW, retroactively to
8 the date the exemption was claimed, and shall accrue until the taxes
9 for which the exemption was claimed are repaid. Penalties shall not be
10 imposed on any tax required to be repaid if full payment is received by
11 the due date. Nothing in this subsection (3)(d) prohibits a person
12 from reapplying for an exemption certificate.

13 (4) The definitions in this subsection apply to this section.

14 (a) "Agricultural products" has the meaning provided in RCW
15 82.04.213.

16 (b) "Eligible farmer" means:

17 (i) A farmer as defined in RCW 82.04.213 whose gross proceeds of
18 sales of agricultural products grown, raised, or produced by that
19 person is at least ten thousand dollars in the calendar year
20 immediately preceding the year in which a claim of exemption is made
21 under this section;

22 (ii) The transferee of an exemption certificate under subsection
23 (3)(c)(ii) of this section where the transferred certificate expires
24 before the transferee engages in farming operations for a full calendar
25 year, if the combined gross proceeds of sales by the transferor and
26 transferee of agricultural products that they have grown, raised, or
27 produced meet the requirements of (b)(i) of this subsection;

28 (iii) A farmer as defined in RCW 82.04.213, who does not meet the
29 definition of "eligible farmer" in (b)(i) or (ii) of this subsection,
30 and who did not engage in farming for the entire calendar year
31 immediately preceding the year in which application for exemption under
32 this section is made and who did not engage in farming in any other
33 year;

34 (iv) Anyone who otherwise meets the definition of "eligible farmer"
35 in this subsection except that they are not a "person" as defined in
36 RCW 82.04.030.

37 (c) "Qualifying farm machinery and equipment" means machinery and

1 equipment used primarily for growing, raising, or producing
2 agricultural products. "Qualifying farm machinery and equipment" does
3 not include:

4 (i) Farm vehicles and other vehicles as those terms are defined in
5 chapter 46.04 RCW, except farm tractors as defined in RCW 46.04.180 and
6 other farm implements. For purposes of this subsection (4)(c)(i),
7 "farm implement" does not include lawn tractors and all-terrain
8 vehicles;

9 (ii) Aircraft;

10 (iii) Hand tools and hand-powered tools; and

11 (iv) Property with a useful life of less than one year.

12 (d) "Replacement parts" means those parts that replace an existing
13 part, or which are essential to maintain the working condition, of a
14 piece of qualifying farm machinery or equipment. However, "replacement
15 parts" shall not include paint, fuel, oil, grease, hydraulic fluids,
16 antifreeze, and similar items.

17 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.12 RCW
18 to read as follows:

19 (1) The provisions of this chapter do not apply in respect to the
20 use by an eligible farmer of replacement parts for qualifying farm
21 machinery and equipment.

22 (2) Notwithstanding anything to the contrary in this chapter, if
23 replacement parts are installed by the seller during the course of
24 repairing, cleaning, altering, or improving qualifying farm machinery
25 and equipment and the seller makes a separate charge for the parts, the
26 tax imposed by this chapter does not apply to the separately stated
27 charge to an eligible farmer for replacement parts but only if the
28 separately stated charge does not exceed either the seller's current
29 publicly stated retail price for the parts or, if no separately stated
30 retail price is available, the seller's cost for the parts. However,
31 the exemption provided by this section shall not apply if replacement
32 parts are installed by the seller during the course of repairing,
33 cleaning, altering, or improving qualifying farm machinery and
34 equipment and the seller makes a single nonitemized charge for
35 providing the parts and service.

36 (3) The definitions and recordkeeping requirements in section 1 of

1 this act, other than the exemption certificate requirement, apply to
2 this section.

3 NEW SECTION. **Sec. 3.** This act takes effect July 1, 2006.
Passed by the House March 4, 2006.
Passed by the Senate March 3, 2006.
Approved by the Governor March 22, 2006.
Filed in Office of Secretary of State March 22, 2006.