
Finance Committee

HB 2251

Brief Description: Providing a sales and use tax exemption for the purchase or use of qualifying timber-felling equipment.

Sponsors: Representatives Tharinger, Takko, Taylor, Blake, Van De Wege, Kretz, Short, Wilcox and Johnson.

Brief Summary of Bill

- Establishes a sales and use tax exemption for the purchase of qualifying timber-felling equipment by eligible timber harvesters.

Hearing Date: 2/5/16

Staff: Dominique Meyers (786-7150).

Background:

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use taxes apply to the value of property, digital product, or service when used in this state. The state, most cities, and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.1 percent, depending on the location. Nearly 100 percent of retail sales and use taxes collected are deposited into the general fund; 0.16 percent are deposited into the performance audits of governments account.

Summary of Bill:

Eligible timber harvesters are exempt from sales or use tax on the purchase of "qualifying timber-felling equipment" that is primarily used for business purposes. Eligible timber harvesters must use the tax exempt equipment until the earlier of:

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- The date of ownership transfer to an unrelated person,
- The date the equipment is damaged beyond repair or can no longer be used, or
- January 1 of the calendar year that is at least 48 months after the month in which the qualifying timber-felling equipment was purchased or used.

If the Department of Revenue determines that the equipment was not used for the minimum amount of time as required, a taxpayer may be liable for exempt taxes, penalties and interest as determined by the department.

"Qualifying timber-felling equipment" includes self-propelled equipment that is primarily used for severing trees, and holding and placing severed trees in piles. It does not include machinery and equipment that already qualifies for the existing machinery and equipment sales and use tax exemption in statute.

The tax preference performance statement indicates the public policy object is to provide tax relief for timber harvesters.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on August 1, 2015.