
Finance Committee

HB 2980

Brief Description: Creating tax incentives for mushroom farming.

Sponsors: Representatives Chandler, Springer, Nealey and Taylor.

Brief Summary of Bill

- Provides a sales and use tax exemption for mushroom farming facility construction and equipment.

Hearing Date: 2/16/18

Staff: Rachelle Harris (786-7137).

Background:

Sales and Use Tax.

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 tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities 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 3.9 percent depending on location.

Manufacturing Machinery and Equipment Sales Tax Exemption.

Machinery and equipment (M&E) used by a manufacturer in a manufacturing operation is exempt from the retail sales tax. The M&E exemption includes industrial fixtures, devices, support facilities, and tangible personal property that becomes a component thereof, including repair parts and replacement parts. It does not include hand-powered tools, property with a useful life of less than one year, buildings, or building fixtures that are not integral to the manufacturing operation.

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Summary of Bill:

A sales and use tax exemption is provided for various activities related to facility construction for mushroom farming, including the following:

- charges for labor and services rendered for constructing new buildings or facilities made for the exclusive purposes of mushroom farming;
- sales of tangible personal property, including construction materials, machinery, and equipment, that will be incorporated as a component of buildings or facilities made for the exclusive purposes of mushroom farming; and
- charges for labor and services rendered to install fixtures in mushroom farming buildings not otherwise eligible for the M&E exemption.

The sales tax exemption becomes available when the buyer provides the seller with an exemption certificate as prescribed by the Department of Revenue. A claimant of the sales tax exemption must file a tax performance report. The tax preferences are set to expire January 1, 2029.

The bill contains a tax preference performance statement identifying the tax preferences as intended to improve industry competitiveness and to create or retain jobs. The Joint Legislative Audit and Review Committee is required to evaluate average employment in mushroom farming in the state in its review of the tax preferences.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.