Farm Fuel Users – Sales and Use Tax Exemption Update

Substitute Senate Bill 5009 extends to biodiesel fuel the sales and use tax exemption for farm fuel used for producing agricultural products by farmers and persons providing horticultural services for farmers ("farm fuel users"). This is effective May 11, 2007.

Qualifying Fuels
- Biodiesel fuel as defined in RCW 19.112.010.
- Diesel fuel as defined in 26 U.S.C. 4083, as amended or renumbered as of January 1, 2006. This includes clear diesel and red-dyed diesel.
- Aircraft fuel as defined in RCW 82.42.010.
- Fuel blends if all the component fuels would otherwise be exempt.

Exempt Uses of Fuel
The exemption applies to non-highway use of fuel used to produce agricultural products and provide horticultural services to farmers. Horticultural services include the following:
- Soil preparation services
  - Plowing
  - Weed control before planting
- Crop cultivation services
  - Planting
  - Thinning
  - Pruning
  - Spraying (including aerial applications)
  - Freeze control (wind machines and smudge pots)
- Crop harvesting services
  - Threshing grain
  - Mowing and baling hay
  - Picking fruit

Taxable Uses of Fuel
The exemption does not apply to uses other than producing agricultural products or providing horticultural services. Also, the exemption does not apply to any use of the fuel by someone other than a farm fuel user.

Examples of taxable use include:
- Space or water heating for human habitation
- Generators for producing electrical power for human habitation
- Growing, raising, or producing agricultural products for a person’s own consumption
- Transportation (public road use)
- Aerial or other spray applications for timber
- Logging operations

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Record Keeping Requirements for Fuel Buyers

To claim the sales tax exemption, a farm fuel user must give the seller a completed Farmers’ Certificate for Wholesale Purchases and Sales Tax Exemptions form. It is available on the Department of Revenue’s website at http://dor.wa.gov.

Record Keeping Requirements for Fuel Sellers

Sellers must document tax exempt sales of red-dyed diesel, biodiesel, and aircraft fuel by accepting the Farmers’ Certificate for Wholesale Purchases and Sales Tax Exemptions form from the buyer and filing it with their business records for five years.

These sales are reported under the B&O tax, Retailing classification, and the retail sales tax line on the excise tax return. A retail sales tax deduction is taken for retail sales tax exempt purchases by farmers.

Fuel Tax Refunds

If you paid the “special fuel tax” on your purchase of diesel or biodiesel fuel and used the fuel for non-highway purposes, you are eligible for a refund of the special fuel tax. To get a refund, you must submit a request to the Department of Licensing’s Fuel Tax Section.

Send your refund request to:

Fuel Tax Section
Washington Department of Licensing
PO Box 9228
Olympia, Washington 98507-9228
(360) 664-1838

We recommend that you include a completed Farmers’ Certificate for Wholesale Purchases and Sales Tax Exemptions form with your fuel tax refund request; otherwise use tax may be deducted from your refund.

Note: The use tax exemption applies only on diesel and aircraft fuel purchases made on or after March 6, 2006, and biodiesel fuel purchases made on or after May 11, 2007. Fuel purchases made prior to these dates will have the use tax deducted from fuel tax refunds.