

SALES TAXES

RETAIL SALES/USE TAX - FARM PRODUCTS

82.04.050(3e) FARM HORTICULTURAL SERVICES

Description: Horticultural services provided to farmers are excluded from the definition of retail sale. These include services related to the cultivation of vegetables, fruits, grains, field crops, ornamental floriculture, and nursery products, as well as soil preparation, crop cultivation and harvesting services.

Purpose: To support the agricultural industry. When the retail sales tax was extended to landscaping and horticultural services in 1993, this exemption was enacted to exclude such services when provided to farmers.

Category/Year Enacted: Agriculture. 1993

Primary Beneficiaries: Farmers and firms that provide horticultural services for them.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 6,500	\$ 6,695	\$ 6,896	\$ 7,102
Local taxes	\$ 1,500	\$ 1,545	\$ 1,591	\$ 1,639

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.04.050(8) FEED AND SEED

Description: Sales of feed and seed are excluded from the definition of retail sale, if they are used in the commercial production of any agricultural commodity.

Purpose: To support the agricultural industry. Also it could be argued that feed and seed are similar to component parts (and therefore are purchased for resale), because they are absorbed into or become an integral part of an agricultural product.

Category/Year Enacted: Agriculture. 1935, seed added in 1943.

Primary Beneficiaries: Farmers and the vendors who supply feed and seed to them.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 45,543	\$ 47,820	\$ 50,211	\$ 52,721
Local taxes	\$ 10,510	\$ 11,035	\$ 11,587	\$ 12,166

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely; these purchases might be considered as sales for resale.

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82.04.050(8) FERTILIZER AND CHEMICAL SPRAY

Description: Sales of fertilizer and chemical sprays are excluded from the definition of retail sale, if they are used in the commercial production of any agricultural commodity.

Purpose: To support the agricultural industry. Also it could be argued that fertilizer and spray are similar to component parts (and therefore are purchased for resale), because they are absorbed into or become an integral part of an agricultural product.

Category/Year Enacted: Agriculture. 1943

Primary Beneficiaries: Agricultural producers.

Possible Program Inconsistency: The sales tax exemption helps to encourage the use of fertilizers and chemical sprays in agriculture. However, Chapter 70.95C RCW implements a program directed toward reduction of hazardous substances, which can include agricultural fertilizers and pesticides, that have adverse environmental impacts.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 39,022	\$ 40,973	\$ 43,022	\$ 45,173
Local taxes	\$ 8,405	\$ 8,825	\$ 9,266	\$ 9,730

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, as long as these purchases are not considered as sales for resale.

82.04.050(8) POLLINATION AGENTS

Description: Bees which are purchased by farmers for pollination purposes are excluded from the definition of retail sale, if they are used in the commercial production of any agricultural commodity. (Most pollination is performed by honey bees which are rented, not sold, to farmers by bee keepers. Leaf-cutter bees are the principal pollination agent that is purchased.)

Purpose: To aid a segment of the agricultural sector and make the tax treatment uniform for all types of pollination.

Category/Year Enacted: Agriculture. 1993

Primary Beneficiaries: Farmers that purchase leaf-cutter bees for pollination purposes.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 18	\$ 19	\$ 19	\$ 20
Local taxes	\$ 4	\$ 4	\$ 4	\$ 5

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.04.050(8) CONSERVATION AND HABITAT DEVELOPMENT

Description: This exemption pertains to feed, seed, fertilizer and spray materials sold to landowners that participate in specified federal conservation and habitat protection programs or a cooperative habitat agreement with the Washington State Department of Fish and Wildlife.

Purpose: To encourage land conservation and protection of wildlife habitat.

Category/Year Enacted: Agriculture. 1997

Primary Beneficiaries: Farmers and other landowners who participate in these programs.

Possible Program Inconsistency: This sales tax exemption helps to encourage the use of fertilizers and chemical sprays in agriculture. However, Chapter 70.95C RCW implements a program directed toward reducing hazardous substances, which can include agricultural fertilizers and pesticides, that have adverse environmental impacts.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 48	\$ 49	\$ 50	\$ 51
Local taxes	\$ 12	\$ 12	\$ 13	\$ 13

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.04.213 CHRISTMAS TREE PRODUCTION

Description: Items purchased for the production of plantation Christmas trees are exempt from retail sales/use tax because plantation Christmas trees are included in the definition of agricultural products in RCW 82.04.213 and such items are excluded from the definition of retail sale in RCW 82.04.050(8).

Purpose: To recognize that production of Christmas trees is similar to other agricultural products.

Category/Year Enacted: Agriculture. 1987

Primary Beneficiaries: Approximately 300 growers of plantation Christmas trees.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 403	\$ 403	\$ 403	\$ 403
Local taxes	\$ 93	\$ 93	\$ 93	\$ 93

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.08.0257 FARM AUCTION SALES
82.12.0258

Description: Exemption from retail sales/use tax is provided for sales of tangible personal property which has been used in a farm activity, if the sale is made by through an auctioneer. The seller must be a farmer and the sales must be conducted on a farm.

Purpose: To support the agricultural industry.

Category/Year Enacted: Agriculture. 1943

Primary Beneficiaries: Farmers who sell machinery and other personal property at farm auctions.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 402	\$ 402	\$ 402	\$ 402
Local taxes	\$ 93	\$ 93	\$ 93	\$ 93

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.08.0259 BREEDING LIVESTOCK AND CATTLE
82.12.0261

Description: Sales of livestock for breeding purposes and sales of cattle and milk cows used on a farm are exempt from retail sales/use tax.

Purpose: To support the agricultural industry.

Category/Year Enacted: Agriculture. 1945

Primary Beneficiaries: Farmers who use breeding livestock, dairy producers and cattle ranchers.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 4,301	\$ 4,430	\$ 4,563	\$ 4,700
Local taxes	\$ 993	\$ 1,022	\$ 1,053	\$ 1,085

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.08.0267 POULTRY
82.12.0262

Description: Poultry used for producing poultry or poultry products are exempt from retail sales/use tax.

Purpose: To support the agricultural industry.

Category/Year Enacted: Agriculture. 1961

Primary Beneficiaries: Producers of poultry and poultry products.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 1,786	\$ 1,840	\$ 1,895	\$ 1,952
Local taxes	\$ 412	\$ 425	\$ 437	\$ 450

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.08.0272 SEMEN
82.12.0267

Description: Semen used for artificial insemination of livestock is exempt from retail sales/use tax.

Purpose: To support the agricultural industry. An argument could also be made that such products constitute a component part of other products being produced for sale and thus are sales for resale.

Category/Year Enacted: Agriculture. 1965

Primary Beneficiaries: Ranchers who purchase semen for artificial insemination of livestock.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 477	\$ 477	\$ 477	\$ 477
Local taxes	\$ 110	\$ 110	\$ 110	\$ 110

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.08.02745 FARM-WORKER HOUSING
82.12.02685

Description: Exemption from retail sales/use tax is provided for goods and services used in construction, repairing, or improving of new or existing structures used as agricultural employee housing. Ownership of the housing facility may be by agricultural employers, governmental entities, nonprofit organizations, or for-profit housing providers. Agricultural employee housing does not include housing regularly provided on a commercial basis to the general public.

Purpose: To encourage construction of housing facilities for agricultural employees.

Category/Year Enacted: Agriculture. 1996

Primary Beneficiaries: Farmers and others who build housing facilities for farm workers.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 624	\$ 624	\$ 624	\$ 624
Local taxes	\$ 182	\$ 182	\$ 182	\$ 182

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.08.0277 POLLEN
82.12.0273

Description: Exemption from retail sales/use tax is allowed for pollen.

Purpose: To support the agricultural and horticultural industry.

Category/Year Enacted: Agriculture. 1967.

Primary Beneficiaries: Buyers and sellers of pollen.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 20	\$ 20	\$ 20	\$ 20
Local taxes	\$ 5	\$ 5	\$ 5	\$ 5

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.08.0288 LEASED IRRIGATION EQUIPMENT
82.12.0283

Description: Leases of irrigation equipment are exempt from retail sales/use tax, if the equipment is at least partially attached to the land and is an incidental part of a land lease. To qualify for the exemption on the leased equipment, sales/use tax must have been paid on the original purchase of the equipment by the owner.

Purpose: Normally, persons who lease tangible personal property pay sales tax to the lessor. However, in this instance, sales tax was already paid by the owner of the land.

Category/Year Enacted: Agriculture. 1983

Primary Beneficiaries: Farmers who lease farm land which includes irrigation equipment.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 6,430	\$ 6,559	\$ 6,690	\$ 6,824
Local taxes	\$ 1,484	\$ 1,514	\$ 1,544	\$ 1,575

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.08.0294 FISH FEED FOR AQUACULTURE
82.12.0294

Description: Persons who raise fish for sale are exempt from retail sales/use tax on purchases of feed.

Purpose: To provide equivalent treatment with farmers whose purchases of feed for their livestock are exempt from sales/use tax. This recognizes that aquaculture and agriculture are similar activities.

Category/Year Enacted: Agriculture. 1985

Primary Beneficiaries: Approximately 65 commercial fish farmers.

Possible Program Inconsistency: This exemption helps to encourage an economic activity that can contribute to water pollution and thus may be inconsistent with certain water pollution control programs.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 102	\$ 102	\$ 102	\$ 102
Local taxes	\$ 23	\$ 23	\$ 23	\$ 23

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.08.0295 AGRICULTURAL PROCESSING EQUIPMENT, SALE/LEASEBACKS
82.12.0295

Description: Property and equipment used in the business of processing fresh fruit, vegetables or fish is exempt from retail sales/use tax, if it is leased by the original owner under the terms of a sale/leaseback arrangement and the original owner has already paid sales or use tax on the same equipment.

Purpose: Without the exemption, the original owner who purchased the equipment and paid sales/use tax but then sold the item and leased it back under a sale/leaseback arrangement would be liable again for sales tax on the same item. However, most of these purchases are now exempt under the manufacturing machinery exemption, enacted in 1995.

Category/Year Enacted: Agriculture. 1986

Primary Beneficiaries: No known firms.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) There are no known transactions of this type which would not otherwise qualify for exemption as manufacturing machinery.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.08.0296 LIVESTOCK FEED
82.12.0296

Description: Feed consumed by livestock at public livestock markets is exempt from sales/use tax.

Purpose: Feed sold to farmers is already exempt from sales/use tax. This provision extends the exemption to feed consumed by cattle while awaiting sale at a livestock market.

Category/Year Enacted: Agriculture. 1986

Primary Beneficiaries: Operators of public livestock markets.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 116	\$ 116	\$ 116	\$ 116
Local taxes	\$ 27	\$ 27	\$ 27	\$ 27

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.08.0311 FRUIT/VEGETABLE PACKING MATERIALS
82.12.0311

Description: Exemption from retail sales/use tax is provided for materials and supplies used directly in packing of fresh, perishable horticultural products.

Purpose: To support the agricultural industry. The exemption complements the B&O tax deduction for processors of fresh horticultural products.

Category/Year Enacted: Agriculture. 1988

Primary Beneficiaries: Fruit and vegetable packers.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 197	\$ 197	\$ 197	\$ 197
Local taxes	\$ 46	\$ 46	\$ 46	\$ 46

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.08.840 FIELD BURNING EQUIPMENT
82.12.840

Description: Exemption from retail sales/use tax is provided for equipment used to dispose of straw and straw-based products in an alternative manner to burning. Included in the exemption are services related to construction of structures and equipment. Both the structures and equipment must be used at least one-half of the time to accomplish a reduction in burning of cereal grains or grass that is grown for seed. The exemption benefits both farmers who purchase eligible equipment and businesses engaged in the removal and processing of the stubble as an alternative to burning. The exemption expires on January 1, 2006.

Purpose: To reduce burning of agricultural residue.

Category/Year Enacted: Agriculture. 2000

Primary Beneficiaries: Farmers who grow grain crops that leave stubble after harvesting.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 243	\$ 243	\$ 122	\$ 0
Local taxes	\$ 71	\$ 71	\$ 36	\$ 0

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.08.880 MEDICINE FOR LIVESTOCK
82.12.880

Description: Exemption from retail sales/use tax is provided for pharmaceuticals for livestock used by farmers. The drug must be approved by the U.S. Dept. of Agriculture or the Food and Drug Administration and must be administered to an animal that is being raised for purposes of sale as an agricultural product. The exemption applies to sales of eligible medicines made directly to farmers or to veterinarians who in turn administer the medicine to livestock.

Purpose: To support the agricultural industry and help offset the high cost of medicines for livestock.

Category/Year Enacted: Agriculture. 2001

Primary Beneficiaries: Farmers who raise animals for sale.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 1,256	\$ 1,294	\$ 1,332	\$ 1,372
Local taxes	\$ 367	\$ 378	\$ 389	\$ 401

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.08.890 DAIRY NUTRIENT MANAGEMENT
82.12.890

Description: Retail sales/use tax exemption is provided for facilities used for dairy nutrient management, including the maintenance and repair of equipment. The facilities and equipment must be used exclusively for activities necessary to maintain a dairy management plan as required by Chapter 90.64 RCW. The exemption applies to purchases made after the management plan is certified pursuant to this law. All dairies operating in Washington are required to have such nutrient management plans.

Purpose: To support the Washington dairy industry.

Category/Year Enacted: Agriculture. 2001

Primary Beneficiaries: Dairies operating in this state.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 264	\$ 305	\$ 345	\$ 345
Local taxes	\$ 77	\$ 89	\$ 101	\$ 101

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.08.900 ANAEROBIC DIGESTERS FOR DAIRIES
82.12.900

Description: Exemption from retail sales/use tax is provided for anaerobic digesters that are used primarily to treat dairy manure. The exemption covers construction, equipment and installation costs.

Purpose: To support the dairy industry in Washington.

Category/Year Enacted: Agriculture. 2001

Primary Beneficiaries: Washington dairies.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) It is believed that, to date, construction of such a facility has not yet taken place.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.08.910 PROPANE/NATURAL GAS TO HEAT CHICKEN STRUCTURES
82.12.910

Description: Sales to farmers of propane or natural gas used to heat structures that house chickens are exempt from retail sales/use tax. The propane or natural gas must be used exclusively to heat these structures and the chickens must be eventually sold as agricultural products.

Purpose: To support the poultry industry.

Category/Year Enacted: Agriculture. 2001

Primary Beneficiaries: Approximately 75 poultry producers.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 293	\$ 293	\$ 293	\$ 293
Local taxes	\$ 86	\$ 86	\$ 86	\$ 86

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.08.920 BEDDING MATERIALS FOR CHICKENS
82.12.920

Description: Sales of bedding materials to farmers who raise chickens for sale as agricultural products are exempt from retail sales/use tax. The purpose of the bedding materials must be to accumulate and facilitate the removal of chicken manure.

Purpose: To support the poultry industry.

Category/Year Enacted: Agriculture. 2001

Primary Beneficiaries: Approximately 75 poultry producers.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 73	\$ 73	\$ 73	\$ 73
Local taxes	\$ 21	\$ 21	\$ 21	\$ 21

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.