
SENATE BILL 5765

State of Washington

60th Legislature

2007 Regular Session

By Senators Rasmussen and Schoesler

Read first time 01/31/2007. Referred to Committee on Agriculture & Rural Economic Development.

1 AN ACT Relating to the sales and use taxation of repairs to farm
2 machinery and equipment; and amending RCW 82.08.855 and 82.12.855.

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

4 **Sec. 1.** RCW 82.08.855 and 2006 c 172 s 1 are each amended to read
5 as follows:

6 (1) The tax levied by RCW 82.08.020 does not apply to the sale to
7 an eligible farmer of:

8 (a) Replacement parts for qualifying farm machinery and equipment;

9 (b) Labor and services rendered in respect to the installing of
10 replacement parts exempt under (a) of this subsection, regardless of
11 whether items excluded from the definition of replacement parts in
12 subsection (3)(d)(ii) of this section are installed, incorporated, or
13 placed in qualifying farm machinery and equipment during the course of
14 the installation; and

15 (c) Labor and services rendered in respect to the repairing of
16 qualifying farm machinery and equipment, provided that during the
17 course of repairing no tangible personal property is installed,
18 incorporated, or placed in, or becomes an ingredient or component of,
19 the qualifying farm machinery and equipment other than: (i)

1 Replacement parts exempt under (a) of this subsection; and (ii) items
2 excluded from the definition of replacement parts in subsection
3 (3)(d)(ii) of this section.

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

18 ~~(3))~~(a) A person claiming an exemption under this section must
19 keep records necessary for the department to verify eligibility under
20 this section. An exemption is available only when the buyer provides
21 the seller with an exemption certificate issued by the department
22 containing such information as the department requires. The exemption
23 certificate shall be in a form and manner prescribed by the department.
24 The seller shall retain a copy of the certificate for the seller's
25 files.

26 (b) The department shall provide an exemption certificate to an
27 eligible farmer or renew an exemption certificate, upon application by
28 that eligible farmer. The application must be in a form and manner
29 prescribed by the department and shall contain the following
30 information as required by the department:

- 31 (i) The name and address of the applicant;
32 (ii) The uniform business identifier or tax reporting account
33 number of the applicant, if the applicant is required to be registered
34 with the department;
35 (iii) The type of farming engaged in;
36 (iv) A copy of the applicant's Schedule F of Form 1040, Form 1120,
37 or other applicable form filed with the internal revenue service
38 indicating the gross sales of agricultural products by the applicant in

1 the calendar year immediately preceding the year that the application
2 was made to the department. If application is made before the due date
3 of the applicant's federal income tax return for the prior calendar
4 year, or any extension of the due date, the applicant shall provide a
5 copy of the appropriate federal income tax form that was due for the
6 second calendar year immediately preceding the year that the
7 application is made to the department. If the applicant is not
8 required to file federal income tax returns, the department may require
9 the applicant to provide copies of other documents establishing the
10 amount of the applicant's gross sales of agricultural products for the
11 relevant calendar year;

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

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

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

17 (c)(i) Except as otherwise provided in this section, exemption
18 certificates issued by the department are not transferable and are
19 valid for the calendar year in which the certificate is issued and the
20 following four calendar years. The department shall attempt to notify
21 holders of exemption certificates of the impending expiration of the
22 certificate at least sixty days before the certificate expires and
23 shall provide an application for renewal of the certificate.

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

28 (d)(i) Exemption certificates issued to persons who are eligible
29 farmers under subsection ~~((+4))~~ (3)(b)(iii) of this section are
30 conditioned on the person making at least ten thousand dollars of gross
31 sales of agricultural products grown, raised, or produced by that
32 person in the first full calendar year that the person engages in
33 business as a farmer.

34 (ii) A person who is issued a conditional exemption certificate
35 must provide the department with a copy of the person's Schedule F of
36 Form 1040, Form 1120, or other applicable form filed with the internal
37 revenue service indicating the gross sales of agricultural products by
38 the person in the first full calendar year that the person engaged in

1 business as a farmer. If a person is not required to file federal
2 income tax returns, the person shall provide copies of other documents
3 establishing the amount of the person's gross sales of agricultural
4 products for the first full calendar year that the person engaged in
5 business as a farmer. The documentation required in this subsection
6 (~~(+3)~~) (2)(d)(ii) is due no later than December 31st of the year
7 immediately following the first full calendar year in which the person
8 engaged in business as a farmer.

9 (iii) If a person fails to provide the required documentation to
10 the department by the due date or any extension granted by the
11 department, or if the condition in (d)(i) of this subsection is not
12 met, the department shall revoke the exemption certificate. The
13 department shall notify the person in writing of the revocation and the
14 person's responsibility, and due date, for repayment of any taxes for
15 which an exemption under this section was claimed. Any taxes for which
16 an exemption under this section was claimed shall be due and payable
17 within thirty days of the date of the notice revoking the certificate.
18 The department shall assess interest on the taxes for which the
19 exemption was claimed. Interest shall be assessed at the rate provided
20 for delinquent excise taxes under chapter 82.32 RCW, retroactively to
21 the date the exemption was claimed, and shall accrue until the taxes
22 for which the exemption was claimed are repaid. Penalties shall not be
23 imposed on any tax required to be repaid if full payment is received by
24 the due date. Nothing in this subsection (~~(+3)~~) (2)(d) prohibits a
25 person from reapplying for an exemption certificate.

26 (~~(+4)~~) (3) The definitions in this subsection apply to this
27 section.

28 (a) "Agricultural products" has the meaning provided in RCW
29 82.04.213.

30 (b) "Eligible farmer" means:

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

36 (ii) The transferee of an exemption certificate under subsection
37 (~~(+3)~~) (2)(c)(ii) of this section where the transferred certificate
38 expires before the transferee engages in farming operations for a full

1 calendar year, if the combined gross proceeds of sales by the
2 transferor and transferee of agricultural products that they have
3 grown, raised, or produced meet the requirements of (b)(i) of this
4 subsection;

5 (iii) A farmer as defined in RCW 82.04.213, who does not meet the
6 definition of "eligible farmer" in (b)(i) or (ii) of this subsection,
7 and who did not engage in farming for the entire calendar year
8 immediately preceding the year in which application for exemption under
9 this section is made and who did not engage in farming in any other
10 year;

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

14 (c) "Qualifying farm machinery and equipment" means machinery and
15 equipment used primarily for growing, raising, or producing
16 agricultural products. "Qualifying farm machinery and equipment" does
17 not include:

18 (i) Farm vehicles and other vehicles as those terms are defined in
19 chapter 46.04 RCW, except farm tractors as defined in RCW 46.04.180 and
20 other farm implements. For purposes of this subsection (~~(+4)~~)
21 (3)(c)(i), "farm implement" means machinery or equipment manufactured,
22 designed, or reconstructed for agricultural purposes and used primarily
23 by an eligible farmer to grow, raise, or produce agricultural products,
24 but does not include lawn tractors and all-terrain vehicles;

25 (ii) Aircraft;

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

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

28 (d)(i) "Replacement parts" means those parts that replace an
29 existing part, or which are essential to maintain the working
30 condition, of a piece of qualifying farm machinery or equipment.
31 (~~However,~~)

32 (ii) "Replacement parts" (~~shall~~) do not include paint, fuel, oil,
33 grease, hydraulic fluids, antifreeze, and similar items.

34 **Sec. 2.** RCW 82.12.855 and 2006 c 172 s 2 are each amended to read
35 as follows:

36 (1) The provisions of this chapter do not apply in respect to the
37 use by an eligible farmer of:

1 (a) Replacement parts for qualifying farm machinery and equipment;
2 (b) Labor and services rendered in respect to the installing of
3 replacement parts exempt under (a) of this subsection, regardless of
4 whether items excluded from the definition of replacement parts in RCW
5 82.08.855(3)(d)(ii) are installed, incorporated, or placed in
6 qualifying farm machinery and equipment during the course of the
7 installation; and

8 (c) Labor and services rendered in respect to the repairing of
9 qualifying farm machinery and equipment, provided that during the
10 course of repairing no tangible personal property is installed,
11 incorporated, or placed in, or becomes a component of, the qualifying
12 farm machinery and equipment other than: (i) Replacement parts exempt
13 under (a) of this subsection; and (ii) items excluded from the
14 definition of replacement parts in RCW 82.08.855(3)(d)(ii).

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

29 ~~(3))~~) The definitions and recordkeeping requirements in RCW
30 82.08.855, other than the exemption certificate requirement, apply to
31 this section.

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