
SUBSTITUTE HOUSE BILL 1380

State of Washington

67th Legislature

2021 Regular Session

By House Finance (originally sponsored by Representatives Dufault, Springer, Steele, Mosbrucker, Sutherland, Dent, and Walsh)

1 AN ACT Relating to restoring the business and occupation and
2 public utility tax exemption for custom farming and hauling farm
3 products; adding a new section to chapter 82.04 RCW; adding a new
4 section to chapter 82.16 RCW; creating new sections; providing an
5 effective date; and declaring an emergency.

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

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.04
8 RCW to read as follows:

9 (1) This chapter does not apply to any:

10 (a) Person performing custom farming services for a farmer, when
11 the person performing the custom farming services is: (i) An eligible
12 farmer; or (ii) at least 50 percent owned by an eligible farmer; or

13 (b) Person performing farm management services, contract labor
14 services, services provided with respect to animals that are
15 agricultural products, or any combination of these services, for a
16 farmer or for a person performing custom farming services, when the
17 person performing the farm management services, contract labor
18 services, services with respect to animals, or any combination of
19 these services, and the farmer or person performing custom farming
20 services are related.

1 (2) The definitions in this subsection apply throughout this
2 section unless the context clearly requires otherwise.

3 (a)(i) "Custom farming services" means the performance of
4 specific farming operations through the use of any farm machinery or
5 equipment, farm implement, or draft animal, together with an
6 operator, when: (A) The specific farming operation consists of
7 activities directly related to the growing, raising, or producing of
8 any agricultural product to be sold or consumed by a farmer; and (B)
9 the performance of the specific farming operation is for, and under a
10 contract with, or the direction or supervision of, a farmer. "Custom
11 farming services" does not include the custom application of
12 fertilizers, chemicals, or biologicals, or any services related to
13 the growing, raising, or producing of marijuana.

14 (ii) For the purposes of this subsection (2)(a), "specific
15 farming operation" includes specific planting, cultivating, or
16 harvesting activities, or similar specific farming operations. The
17 term does not include veterinary services as defined in RCW
18 18.92.010; farrier, boarding, training, or appraisal services;
19 artificial insemination or stud services, or agricultural consulting
20 services; packing or processing of agricultural products; or pumping
21 or other waste disposal services.

22 (b) "Eligible farmer" means a person who is eligible for an
23 exemption certificate under RCW 82.08.855 at the time that the custom
24 farming services are rendered, regardless of whether the person has
25 applied for an exemption certificate under RCW 82.08.855.

26 (c) "Farm management services" means the consultative decisions
27 made for the operations of the farm including, but not limited to,
28 determining which crops to plant, the choice and timing of
29 application of fertilizers and chemicals, the horticultural practices
30 to apply, the marketing of crops and livestock, and the care and
31 feeding of animals. "Farm management services" does not include any
32 services related to the growing, raising, or producing of marijuana.

33 (d) "Related" means having any of the relationships specifically
34 described in section 267(b) (1), (2), and (4) through (13) of the
35 internal revenue code, as amended or renumbered as of January 1,
36 2007.

37 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.16
38 RCW to read as follows:

1 (1) This chapter shall not apply to any person hauling
2 agricultural products or farm machinery or equipment for a farmer or
3 for a person performing custom farming services, when the person
4 providing the hauling and the farmer or person performing custom
5 farming services are related.

6 (2) The exemption provided by this section shall not apply to the
7 hauling of any substances or articles manufactured from agricultural
8 products. For the purposes of this subsection, "manufactured" has the
9 same meaning as "to manufacture" in RCW 82.04.120.

10 (3) The definitions in RCW 82.04.213 and section 1 of this act
11 apply to this section.

12 NEW SECTION. **Sec. 3.** (1) This section is the tax preference
13 performance statement for the tax preference contained in sections 1
14 and 2, chapter . . ., Laws of 2021 (sections 1 and 2 of this act).
15 This performance statement is not intended to create a private right
16 of action by any party or to be used to determine eligibility for
17 preferential tax treatment.

18 (2) The legislature categorizes this tax preference as one
19 intended to reduce structural inefficiencies in the tax structure, as
20 indicated in RCW 82.32.808(2)(d).

21 (3) It is the legislature's specific public policy objective to
22 provide tax relief to farmers, including those who changed their farm
23 structure in response to federal regulations regarding irrigated
24 water.

25 NEW SECTION. **Sec. 4.** The provisions of RCW 82.32.805 and
26 82.32.808(4) do not apply to this act.

27 NEW SECTION. **Sec. 5.** This act is necessary for the immediate
28 preservation of the public peace, health, or safety, or support of
29 the state government and its existing public institutions, and takes
30 effect July 1, 2021.

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