

# SPECIAL NOTICE

May 16, 2006

For further information contact:

Telephone Information Center  
1-800-647-7706 or (360) 705-6676

Alternate Formats (360) 705-6715  
Teletype 1-800-451-7985

## Livestock Nutrient Management - Tax Exemptions

Beginning July 1, 2006, there are limited sales and use tax exemptions for purchases of certain services and tangible personal property related to the maintenance of livestock nutrient management equipment and facilities. Existing sales and use tax exemptions are also extended for dairy nutrient management facilities including other livestock operations, under certain conditions.

Additionally, current sales and use tax exemptions are expanded to persons establishing or operating anaerobic digesters used primarily to treat dairy manure including anaerobic digesters used primarily to treat livestock manure.

### Sales/Use Tax Exemption for Livestock Nutrient Management Equipment and Facilities

#### Eligible Businesses

Eligible businesses include:

- Licensed dairies with certified dairy nutrient management plans as required under RCW 90.64 (dairy nutrient management plan)
- Animal feeding operations that have:
  - state waste discharge permit issued under RCW 90.48 (state waste discharge permit); or
  - nutrient management plan approved by a conservation district as meeting natural resource conservation service field office technical guide standards

#### Exempt Purchases

Retail sales and use tax exemptions apply to:

- Services provided for operating, repairing, cleaning, altering, or improving **existing** livestock nutrient management equipment and facilities; and
- Tangible personal property that becomes an ingredient or component of **existing** livestock nutrient management equipment and facilities

Examples of exempt purchases include:

- Construction services to re-roof an existing structure used exclusively for storage of dry livestock manure
- Repair services for an agitator exclusively used to handle or treat livestock manure
- Roofing materials used to repair an existing structure used exclusively to store dry livestock manure

- A replacement chain or cable used to repair an existing alley scraper used exclusively to handle solid livestock manure

“Livestock nutrient management equipment and facilities” means machinery, equipment, and structures used exclusively to handle and treat livestock manure. The term includes equipment to process livestock manure, such as:

aerators	lagoons
agitators	loaders
alley scrapers	pipes
augers	pumps
dams	separators
gutter cleaners	tanks

It also includes tangible personal property that becomes an ingredient or component of the livestock nutrient management equipment and facilities, including repair and replacement parts.

### **Non-exempt Purchases**

The retail sales and use tax exemptions to maintain livestock nutrient management equipment and facilities *do not* apply to:

- The original purchase and/or installation of machinery and equipment qualifying as livestock nutrient management equipment and facilities
- Construction of new structures that become qualifying livestock nutrient management facilities
- Equipment or structures used for any purpose other than to exclusively handle and treat livestock manure
- Tangible personal property that becomes an ingredient or component of equipment or facilities that are not exclusively used to handle and treat livestock manure, including repair and replacement parts
- Fuel, grease, oil or other lubricants

The Department will consider other purchases made by eligible persons to determine if they qualify for the exemption. As additional information becomes available we will include the information in the *Agricultural Guide* or post the information on our Internet web site.

### **Exemption Certificate**

You must complete and file the attached *Application for Retail Sales Tax Exemption Certificate for Livestock Nutrient Management Equipment Facilities* **before** you become eligible for the sales and use tax exemption. The application is also available on our web site at <http://dor.wa.gov/>.

Eligible persons will receive a *Retail Sales Tax Exemption Certificate for Livestock Equipment Facilities*. A copy of this exemption certificate must be provided to the seller when making a tax exempt purchase of services or tangible personal property.

### **Record Keeping Requirements for Buyers**

A person claiming an exemption must keep records necessary for the Department to verify eligibility. This places the burden on the buyer to maintain records documenting that the services and/or property purchased are used exclusively to maintain livestock nutrient management equipment and facilities.

The Department will look at purchase invoices, depreciation schedules, farming practices, logs and other records kept to verify eligibility for this exemption. The records must be available for audit by the Department.

Buyers will be required to pay sales or use tax on purchases that do not qualify for the exemption or when there are inadequate records documenting eligibility. Unlawful use of the exemption certificate will result in an assessment of tax and additional interest, and may subject the buyer to penalties.

### **Record Keeping Requirements for Sellers**

A seller who makes exempt sales must receive from the buyer a copy of the *Retail Sales Tax Exemption Certificate for Livestock Equipment Facilities* issued by the Department of Revenue. The seller must keep the copy with the business records for five years.

Deductions are reported under the retail sales tax classification on the deduction sheet as “Retail Sales Tax Exempt Purchases by Farmer.” There is no comparable B&O tax exemption for sales of qualifying replacement parts.

### **More Information**

For more information on **livestock nutrient management plans for dairies** certified under chapter 90.64 RCW and nutrient management plans approved by a conservation district, contact the local conservation district in your area. Contact information for local conservation districts is available on the Internet from the Washington State Conservation Commission at <http://www.scc.wa.gov> or the Washington Association of Conservation Districts at <http://www.wacd.org/>.

For information about **animal feeding operations and permits** issued under chapter 90.48 RCW, contact Kevin Hancock with the Department of Ecology at (360) 407-6283.

## **Sales/Use Tax Exemptions for Anaerobic Digesters**

### **Eligible Businesses**

Eligible business are those establishing or operating anaerobic digesters that are used to primarily, **more than fifty percent (50%)**, treat livestock manure when measured by volume or weight.

### **Exempt Purchases**

- Charges for installing, constructing, repairing, cleaning, altering, or improving the anaerobic digester; and
- Purchases of tangible personal property that becomes an ingredient or component of the anaerobic digester

### **Non-exempt Purchases**

- Charges for installing, constructing, repairing, cleaning, altering, or improving an anaerobic digester that is used **50 percent or less** to treat livestock manure
- Purchases of tangible personal property that becomes an ingredient or component of an anaerobic digester that is used **50 percent or less** to treat livestock manure
- Purchases made without a *Retail Sales Tax Exemption Certificate for Anaerobic Digesters* issued by the Department of Revenue
- Fuel, grease, oil or other lubricants

### **Exemption Certificate**

Eligible persons must complete an *Application for Retail Sales Tax Exemption Certificate for Anaerobic Digesters*. To obtain an application, contact the Department of Revenue **before** beginning construction of the anaerobic digester.

### **Record Keeping Requirements for Buyers**

Persons making qualifying exempt purchases must provide the seller with a copy of the *Retail Sales Tax Exemption Certificate for Anaerobic Digesters* to document the exempt transaction.

A person claiming an exemption must also keep records necessary for the Department to verify eligibility. This places the burden on the buyer to maintain records documenting that the purchases become an ingredient or component of the anaerobic digester.

The Department will look at purchase invoices, depreciation schedules, farming practices, logs and other records kept to verify eligibility for this exemption. The records must be available for audit by the Department.

Buyers will be required to pay sales or use tax on purchases that do not qualify for the exemption or when there are inadequate records documenting eligibility. Unlawful use of the exemption certificate may subject the buyer to interest and penalties, in addition to paying the tax.

### **Record Keeping Requirements for Sellers**

A seller who makes exempt sales must receive from the buyer a copy of the *Retail Sales Tax Exemption Certificate for Livestock Equipment Facilities* issued by the Department of Revenue. The seller must keep the copy with the business records for five years. There is no comparable business and occupation (B&O) tax exemption. Therefore, income from exempt sales remains subject to B&O tax under the Retailing classification.

### **More Information**

If you need assistance or have questions, please contact the Telephone Information Center at 1-800-647-7706.

For detailed information about the tax exemptions for anaerobic digesters, see the following references:

- Engrossed Substitute House Bill (ESHB) 3222 (chapter 151, Laws of 2006)
- RCW 90.64
- RCW 90.48

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 705-6715. Teletype (TTY) users please call 1-800-451-7985.



# Application for Retail Sales Tax Exemption Certificate for Livestock Nutrient Management Equipment & Facilities

Unified Business Identifier (UBI) / Tax Reporting Account (TRA) Number (if applicable) \_\_\_\_\_

Federal Employer Identification Number (FEIN) (if applicable) \_\_\_\_\_

Type of Entity:  Individual  Corporation  Sole Proprietor  Partnership  Other (Explain)

Applicant Name \_\_\_\_\_

Farm Name \_\_\_\_\_

**Farm Address** \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

**Mailing Address** \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Phone Number ( ) \_\_\_\_\_ E-mail Address \_\_\_\_\_

I, the undersigned applicant, certify (check one):

- I am licensed to produce milk under chapter 15.36 RCW and have a certified dairy nutrient management plan.
  - My Milk Producer License number is: \_\_\_\_\_
  - Date Dairy Nutrient Management Plan approved: \_\_\_\_\_
- I own an animal feeding operation and has a permit issued under chapter 90.48 RCW
  - Date State Waste Discharge and/or National Pollutant Discharge Permit issued: \_\_\_\_\_
- I own an animal feeding operation and has a nutrient management plan approved by a conservation district as meeting natural resource conservation service field office technical standards guidelines.
  - Date Nutrient Management Plan approved: \_\_\_\_\_
  - Name of Approving Conservation District: \_\_\_\_\_

I, the undersigned applicant, understand that the sales and use tax exemption is limited to the following purchases:

- Made **after** a livestock management plan is certified under chapter 90.64 RCW, approved as part of the permit issued under chapter 90.48 RCW, or is approved by a conservation district as required by ESHB 3222 (chapter 151, Laws of 2006);
- Services rendered in respect to operating, repairing, cleaning, altering, or improving of livestock nutrient management equipment and facilities; and
- Tangible personal property that becomes an ingredient or component of livestock nutrient management equipment and facilities.

Applicant Name \_\_\_\_\_ Title \_\_\_\_\_

Applicant Signature \_\_\_\_\_

*Send completed application to:*

Department of Revenue  
Taxpayer Account Administration  
Attn: Debora Hadley  
PO Box 47476  
Olympia, WA 98504-7476

**Keep a copy of this application for your records**

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## **What do the retail sales and use tax exemptions for livestock nutrient management equipment and facilities apply to?**

RCW 82.08.890 and chapter 151, Laws of 2006, exempt purchases of:

- Services rendered in respect to operating, repairing, cleaning, altering, or improving of livestock nutrient management equipment and facilities.
- Tangible personal property that becomes an ingredient or component of livestock nutrient management equipment and facilities.

## **Who is eligible for the exemptions?**

RCW 82.08.890 and chapter 151, Laws of 2006, provide that the exemptions are available to a person who:

- Is licensed to produce milk under chapter 15.36 RCW and has a certified dairy nutrient management plan as required by chapter 90.64 RCW;
- Owns an animal feeding operation and has a permit issued under chapter 90.48 RCW; or
- Owns an animal feeding operation and has a nutrient management plan approved by a conservation district as meeting natural resource conservation service field office technical guide standards.

## **What are "livestock nutrient management equipment and facilities?"**

"Livestock nutrient management equipment and facilities" are machinery, equipment, and structures used to handle and treat livestock manure. It also includes items that become an ingredient or component of the equipment and facilities, including repair and replacement parts. Examples include aerators, agitators, alley scrapers, augers, dams, gutter cleaners, loaders, lagoons, pipes, pumps, separators, and tanks.

## **What is an "animal feeding operation"?**

"Animal feeding operation" is a lot or facility, other than an aquatic animal production facility, where the following conditions are met:

- Animals, other than aquatic animals, have been, are, or will be stabled or confined and fed or maintained for a total of forty-five days or more in any twelve-month period; and
- Crops, vegetation, forage growth, or postharvest residues are not sustained in the normal growing season over any portion of the lot or facility.

Washington State Department of Revenue  
Taxpayer Services Division  
PO Box 47478  
Olympia, WA 98504-7478

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Important Information on  
Livestock Nutrient Management - Tax Exemptions  
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Washington State Department of Revenue