



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

MAY 8, 2013

Livestock Nutrient Management Equipment Sales Tax Exemption Reinstated

Effective July 1, 2013, the Livestock Nutrient Management Equipment Sales Tax Exemption is reinstated.

Background:

RCW 82.08.890 and RCW 82.12.890 provide retail sales and use tax exemptions for qualifying livestock nutrient management equipment and facilities. However, the exemptions were temporarily suspended from July 1, 2010 through June 30th, 2013 by 2010 Washington Laws 1st sp.s. c 23 § 601.

Eligibility Requirements:

To qualify for the exemptions a person must be:

- A licensed dairy whose dairy nutrient management plan has been certified as required under RCW 90.64; or
- An animal feeding operation (AFO) that possesses a state waste disposal permit issued under RCW 90.48; or
- An AFO that possesses:
 - A nutrient management plan approved by a conservation district as meeting natural resource conservation service field office technical guide standards; and
 - Effective July 1, 2009, a sales tax exemption certificate for replacement parts and services for farm machinery and equipment issued by the Department of Revenue.

Exempt Purchases:

The livestock nutrient management sales and use tax exemptions apply to:

- Qualifying livestock nutrient management equipment as identified below.
- Labor and services rendered in repairing, installing, cleaning, altering and/or improving qualifying equipment.
- Labor and services rendered in repairing, cleaning, altering, or improving qualifying livestock nutrient management facilities.
- Tangible personal property that becomes an ingredient or component of qualifying livestock nutrient management facilities in the course of repairing, cleaning, altering, or improving of such facilities.

Examples of Taxable Purchases:

The livestock nutrient management sales and use tax exemptions do not apply to:

- Purchases made before a person meets the eligibility requirements outlined above.
- Equipment that is not "qualifying livestock nutrient management equipment" even if it is used to handle and treat livestock manure.
- The construction of any livestock nutrient management facility.
- The replacement of existing qualifying livestock nutrient management facilities.
- Building materials and other tangible personal property that become an ingredient or component of new or replacement qualifying livestock nutrient management facilities during the course of constructing the facilities.

Qualifying Livestock Nutrient Management Equipment:

When exclusively used in the handling and treatment of livestock manure, only the following items are qualifying livestock nutrient management equipment:

- Aerators
- Agitators
- Augers
- Conveyors
- Gutter cleaners
- Hard-hose reel traveler irrigation systems
- Lagoon and pond liners and floating covers
- Loaders
- Manure composting devices
- Manure spreaders
- Manure tank wagons
- Manure vacuum trucks
- Pipes
- Pitchforks
- Poultry house cleaners
- Poultry house flame sterilizers
- Poultry house washers
- Poultry liter saver machines
- Pumps
- Scrapers
- Separators
- Shovels
- Slurry injectors & hoses
- Wheelbarrows

An item that is not on this list is not qualifying livestock nutrient management equipment and does not qualify for the exemptions even if used to handle and treat livestock manure.

Qualifying Livestock Nutrient Management Facilities:

When used exclusively in the handling and treatment of livestock manure, only the following structures and facilities are qualifying livestock management facilities:

- Flush Systems
- Lagoons
- Liquid livestock manure storage structures, such as concrete tanks or glass-lined steel tanks
- Structures used solely for dry storage of manure, such as roofed stacking facilities

A structure or facility that is not on this list is not qualifying livestock nutrient management facilities and does not qualify for this exemption even if it is used in the handling and treatment of livestock manure.

Definition of “Handling and Treatment of Livestock Manure”:

The law defines the “handling and treatment of livestock manure” to mean the activities of:

- Collecting, storing, moving, or transporting livestock manure;
- Separating livestock manure solids from liquids; or
- Applying livestock manure to the agricultural lands of an “eligible person” other than through the use of pivot or linear type traveling irrigation systems.

Applying livestock manure to the agricultural lands of a person who is not eligible for the livestock nutrient management exemptions does not constitute the handling and treatment of livestock manure for the purposes of these exemptions. Sales or use tax is due if a person eligible for the livestock nutrient management exemptions purchases a manure spreader and allows it to be used to spread manure over the fields of a neighboring landowner who is not eligible for these exemptions.

Exemption Certificate Requirements:

Before claiming the sales tax exemption, an eligible person must obtain a Retail Sales Tax Exemption Certificate for Livestock Nutrient Management Equipment and Facilities from the Department of Revenue. The application is available on the Department's website at dor.wa.gov/. When making an exempt purchase, the buyer must make a copy of the exemption certificate and provide it to the seller.

The Department will automatically reissue exemption certificates to all eligible persons who had an exemption certificate prior to July 1, 2010 (before the exemption was suspended).

Record Keeping Requirements for Buyers:

A person claiming a livestock nutrient management exemption must keep records necessary for the Department of Revenue to verify eligibility. This places the burden on the buyer to maintain records documenting that the qualifying livestock nutrient management equipment or facilities to which the exemption relates is used exclusively to handle and treat livestock manure.

The Department will look at purchase invoices, depreciation schedules, farming practices, logs and other records to verify eligibility for these requirements. The records must be available for audit by the Department. Unlawful use of the exemption certificate will result in an assessment of tax and additional interest, and may subject the person 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 Nutrient Management Equipment and Facilities issued by the Department of Revenue with an effective date after June 30, 2013. Exemption certificates with an effective date prior to July 1, 2010 are no longer valid for this exemption. The seller must keep the copy with the business records for five years after the date of the exempt sale.

Exempt sales are reported on the seller's Excise Tax Return under the retail sales tax classification and must be identified on the deduction detail page, under the retail sales tax heading, as "Retail Sales Tax Exempt Purchases by Farmers." As there is no comparable business and occupation (B&O) exemption, the gross proceeds of sales that qualify for the livestock nutrient management sales tax exemption are fully subject to B&O tax.

For more information:

If you have additional questions, please call the Department of Revenue at 1-800-647-7706.

For more information about 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 is available from the Washington State Conservation Commission at www.scc.wa.gov or the Washington Association of Conservation districts at www.wacd.org.

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

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