

Agriculture tax guide

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This guide helps farmers and those who sell goods or services to farmers understand how state taxes apply to Washington's agricultural industry. Words in blue are links to additional information and resources. For specific questions about Washington excise taxes, please [contact us](#).

Updated April 2020

Contents

Common terms

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Farmworker housing: Year-round or seasonal housing for agricultural employees provided by one of the following:

- An agricultural employer
- Housing authority
- Local government
- State or federal agency
- Nonprofit community
- Neighborhood-based organization that is exempt from income tax under section 501(c) of the Internal Revenue Code of 1986
- For-profit provider of housing for agricultural employees

It includes single and multi-family dwellings, and dormitories, and labor camps under [RCW 70.114A.110](#). It also includes bathing, food handling, hand washing, laundry, and toilet facilities.

"Farmworker housing" does not include:

- Housing regularly provided to the general public on a commercial basis, such as hotels, motels, apartments, or rooming houses.
- Housing provided by a housing authority unless at least 80% of the occupants are farmworkers whose adjusted* income is less than 50% of median family income.

(* adjusted for household size, for the county where the housing is provided)

Agricultural product: Any product of plant cultivation or animal husbandry including, but not limited to:

- A product of horticulture, grain cultivation, vermiculture, viticulture, or aquaculture as defined in [RCW 15.85.020](#);
- Plantation Christmas trees;
- Short-rotation hardwoods as defined in RCW [84.33.035](#);
- Turf; or
- Any animal including but not limited to an animal that is a private sector cultured aquatic product as defined in [RCW 15.85.020](#), or a bird, or insect, or the substances obtained from such an animal.

"Agricultural product" does not include animals defined as pet animals under [RCW 16.70.020](#).

"Agricultural product" does not include cannabis, useable cannabis, or cannabis infused products. "Cannabis," "useable cannabis," and "cannabis-infused products" have the same meaning as in [RCW 69.50.101](#).

Anaerobic digester: A facility that processes manure from livestock into biogas and dried manure using microorganisms in a decomposition process within a closed, oxygen free container. [RCW 82.08.900](#)

Approved animal pharmaceuticals: The FDA maintains a list of all approved animal pharmaceuticals called the "Green Book." The USDA maintains a list of approved biotechnology products called the "Veterinary Biologics Product Catalogue." Pharmaceuticals that are not on either of these lists have not been approved and are not eligible for the exemption. ([WAC 458-20-210](#))

Business and occupation (B&O) tax: B&O tax applies to the gross amount received from conducting business. There are different reporting classifications for retail sales, wholesale sales, professional services, and other business activities. Each classification has its own tax rate. Farmers that conduct activities in addition to selling agricultural products they grow, raise or produce at wholesale may be subject to the B&O tax. Persons performing more than one activity may be subject to B&O tax under more than one reporting classification.)

Cold storage warehouse: For the purposes of this guide, the term "cold storage warehouse" means a storage warehouse owned or operated by a wholesaler or third-party warehouser to store fresh and/or frozen perishable fruits or vegetables, dairy products, seafood products, or any combination thereof, at a desired temperature to maintain the quality of the product for orderly marketing.

Community supported agriculture (CSA): A CSA consists of a community of individuals who pledge support to a farming operation where the growers and consumers share the risks and benefits of food production. CSAs usually consist of a system of weekly delivery or pick-up of vegetables and fruit, in a [vegetable box scheme](#), and sometimes includes dairy products and meat. Sales through a CSA are retail sales and are subject to B&O tax.

Consumer: A consumer is any person who uses tangible personal property or receives retail services. The tangible personal property or retail services may be for personal or business use. A seller needs to know who a consumer is to know when to collect sales tax. A buyer, needs to know when to pay sales tax to the seller and, if sales tax hasn't been paid, when to pay sales tax (often referred to as "deferred sales tax") or use tax directly to the Department of Revenue (Department).

Consumer use tax return: A form used to remit use tax directly to the Department. The [Consumer Use Tax Return](#) is for consumers and businesses that are not required to be registered with the Department. Farmers who are registered with the Department should not use this form and should remit payment on their excise tax return.

Custom farming services: Custom farming services are specific farming operations performed by an operator using any farm machinery or equipment, farm implement, or draft animal that are:

- Directly related to growing, raising or producing an agricultural product to be sold or consumed by the farmer, and
- Performed either under a contract or with directed or supervised by a farmer.

Custom farming services do not include custom application of fertilizers, chemicals, or biologicals.

Eligible apiarists: An "eligible apiarists" is someone who:

- Owns or keeps one or more bee colonies,
- Grows, raises, or produces honey bee products for sale at wholesale, and
- Is registered with the Department of Agriculture as required under [RCW 15.60.021](#).

Eligible farmer: For the purposes of the sales and use tax exemption for replacement parts:

An “eligible farmer” includes any person who:

- Engages in the business of growing, raising, or producing agricultural products (as defined in [RCW 82.04.213](#)) for sale upon that person's own land or land in which the person has a present right of possession; and
- Generates gross sales of agricultural products, or has a harvested value of agricultural products, which the person has grown, raised, or produced, of at least \$10,000 in the tax year immediately before the year in which an application for exemption is submitted to the Department.

If you have not engaged in farming operations for an entire tax year immediately before applying for the exemption because you are new to farming or newly returned to farming, you may still qualify for the exemption. The exemption is conditioned on the farmer either:

- Making gross sales of agricultural products, or having a harvested value of agricultural products, which the farmer has grown, raised or produced, at least \$10,000 in the first full tax year that the farmer engaged in farming operations; or
- Being in the process of growing, raising, or producing agricultural products having an estimated value at any time during the first full tax year that the farmer engaged in farming operation of at least \$10,000, if the farmer will not sell or harvest an agricultural product during the first full tax year in which the farmer engages in farming operations.

If a person fails to meet the above conditions, and has claimed the exemption, the person must repay the taxes within 30 days of the end of the first full tax year in which the person engages in business as a farmer. The Department of Revenue must assess interest on the taxes for which the exemption was claimed, retroactively to the date the exemption was claimed and accrues until the taxes for which the exemption was claimed are paid.

Excise tax return: A form provided by the Department that businesses use to calculate and pay certain taxes to the Department. The [excise tax return](#) is used to pay B&O Tax, Retail Sales Tax, Use Tax, Litter Tax and other excise taxes.

Farmer: A person who grows, raises, or produces, upon their land, any agricultural product to be sold. "Farmer" does not include a person growing, raising, or producing products for their own consumption; a person selling any animal or substance obtained in connection with their business of operating a stockyard or a slaughter or packing house; or a person in respect to the business of taking, cultivating, or raising timber. ([RCW 82.04.213](#))

Farming for hire: Farmers who perform horticultural services for others are farming for hire. A farmer who occasionally assists another farmer in planting or harvesting a crop is generally not considered to be engaged in the business. These activities are generally considered to be casual and incidental to the farming activity. For example, a farmer owning baling equipment which is used primarily for baling hay produced by the farmer, but who may occasionally accommodate neighboring farmers by baling small quantities of hay produced by them, is not considered to be in business.

However, farmers who advertise or hold themselves out to the public as being available to perform farming for hire will be considered as being engaged in business. For example, a farmer who regularly engages in baling hay or threshing grain for others is engaged in business and taxable upon the gross proceeds from this activity, irrespective of the amount of such business or that this person also does some farming of his or her own land. ([WAC 458-20-209](#))

Farmers' Certificate for Wholesale Purchases and Sales Tax Exemptions: A form used by farmers to document that certain transactions are not subject to sales tax. This form can be used in lieu of a reseller permit for wholesale purchases (e.g. feed, seed, fertilizer, spray materials, etc.) or it may be used to document specific sales tax exemptions listed on the form.

Feed: Any substance used as food to sustain or improve animals, birds, fish, or insects, and includes whole and processed grains or mixtures thereof, hay and forages or meals made therefrom, mill feeds and feeding

concentrates, stock salt, hay salt, bone meal, fish meal, cod liver oil, double purpose limestone grit, oyster shell, and other similar substances. "feed" includes food additives which are given for their beneficial growth or weight effects. However, "feed" does not include hormones or similar products which do not make a direct nutritional or energy contribution to the body, nor does it include products which are used as medicines.

Feedlot: A feedlot feeds cattle owned by others or cattle that the feedlot purchases for resale. The cattle are fed on the land owned or leased by the feedlot.

Fertilizer: Any substance containing one or more recognized plant nutrients and is

- Used for its plant nutrient content and/or
- Designated for use in promoting plant growth.

"Fertilizer" includes limes, gypsum, and manipulated animal and vegetable manures.

Food and food ingredients: The term "food and food ingredients" means substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. ([WAC 458-20-244](#))

Gross amount: The term "gross amount," which appears at the top of column one on the excise tax return, is a "catch-all" term for whichever of the following terms is applicable to your business: "gross proceeds of sale," "gross income of the business," or "value of products." The gross amount includes all consideration received without deductions for the costs of doing business or other expenses. ([RCW 82.04.070](#) & [RCW 82.04.080](#))

Hauling for hire: Providing the service of transporting goods from one location to another for another person is classified as hauling for hire. Income from this activity is generally subject to public utility tax under either the motor transportation or urban transportation classification. ([WAC 458-20-180](#))

Horticultural services: The term "Horticultural services" means services related to the cultivation of vegetables, fruits, grains, field crops, ornamental floriculture, and nursery products. The term "horticultural services" includes, but is not limited to, the following:

- Soil preparation services such as plowing or weed control before planting
- Crop cultivation services such as planting, thinning, pruning, or spraying
- Crop harvesting services such as threshing grain, mowing and baling hay, or picking fruit.

([WAC 458-20-209](#))

Livestock: For the purposes of this guide the term "livestock" means horses, mules, donkeys, cattle, bison, sheep, goats, swine, rabbits, llamas, alpacas, ratites, poultry, waterfowl, game birds, and other species so designated by statute. "Livestock" does not mean free ranging wildlife as defined in [Title 77 RCW](#).

Public utility tax (PUT): A tax imposed on the gross income of specific public service businesses within the state of Washington. The tax is imposed in lieu of B&O tax, and is remitted to the state on an excise tax return, similar to B&O tax. The most common application for farmers is hauling for hire. ([RCW 82.16.010](#), [RCW 82.16.020](#) & [WAC 458-20-179](#))

Reseller permit: A form issued by the Department that authorizes the buyer to purchase goods and/ or certain services at wholesale (not paying sales tax). The goods cannot be for the buyers own use and must be for resale. ([WAC 458-20-102](#))

Retail sale: All sales of tangible personal property (including articles produced, fabricated, or imprinted) are classified as retail sales unless the buyer intends to resell the product and provides a copy of their reseller permit. The term includes services provided by persons who install, repair, clean, alter, improve, construct, or decorate real or personal property for consumers. ([RCW 82.04.050](#))

Retail sales tax: A tax imposed on the buyer of goods and certain retail services. The seller is responsible for collecting the tax from the buyer and remitting the tax to the Department. The sales tax is a combined state and local tax. The local rate varies throughout the state. ([RCW 82.08.020](#))

Revised Code of Washington: The Revised Code of Washington (RCW) is the compilation of all permanent laws now in force. It is a collection of session laws (enacted by the Legislature, and signed by the Governor, or enacted via the initiative process), arranged by topic, with amendments added and repealed laws removed. It does not include temporary laws such as appropriations acts. Most laws administered by the Department are codified in Title [82 RCW](#). The official version of the RCW is published by the [Office of the Code Reviser](#).

Seed: Propagative portions of plants, commonly used for seeding or planting, whether true seeds, bulbs, plants, seedlike fruits, seedlings, or tubers.

Spray materials: Any substance or mixture of substances in liquid, powder, granular, dry flowable, or gaseous form, which is intended to prevent, destroy, control, repel, or mitigate any insect, rodent, nematode, mollusk, fungus, weed, and any other form of plant or animal life which is normally considered to be a pest. The term includes treated materials, such as grains, which are intended to destroy, control, or repel such pests. "Spray materials" also includes substances which act as plant regulators, defoliants, desiccants, or spray adjuvants.

Structures (chicken): For the purposes of the exemption from sales tax for propane or natural gas for heating chicken structures, the term "structures" means: barns, sheds, and other similar buildings in which chickens are housed.

Tangible personal property: Personal property is property that can be seen, weighed, measured, felt, or touched. It does not include real property (real estate) or property that is attached to real property in such a way as it becomes part of the real property.

UBI/Account ID: Sometimes called a registration, tax reporting account, or "C" number, the Unified Business Identifier (UBI) number is a nine-digit number used to identify persons engaging in business activities. The number is assigned when a person completes a [Business License](#) to register with or obtain a license from state agencies. The Departments of Revenue, Licensing, Employment Security, Labor & Industries, and the Corporations Division of the Secretary of State are among the state agencies participating in the UBI program.

Use tax: A tax imposed on goods and certain services in this state when the goods or services are acquired without paying retail sales tax. Either sales or use tax, applies, but not both. Like the sales tax, the use tax is a combined state and local tax. Use tax rates and sales tax rates are identical.

Washington Administrative Code: The Washington Administrative Code (WAC) codifies the rules (i.e., regulations) of each state agency having [rule-making](#) authority. The Department of Revenue writes rules to help taxpayers understand and accurately report and pay their tax liabilities. The WAC rules addressing the material presented in this guide are commonly referred to as the Excise Tax Rules and are codified by the Office of the Code Reviser in [Chapter 458-20 WAC](#).

Warehouse: For purposes of this tax guide, the term "warehouse" means an enclosed building or structure in which finished goods are stored. A warehouse may have more than one storage room and more than one floor. Office space, lunchrooms, restrooms, and other space within the warehouse and necessary for the operation of the warehouse are considered part of the warehouse as are loading docks and other such space attached to the building and used for handling of finished goods. Landscaping and parking lots are not considered part of the warehouse. A storage yard is not a warehouse, nor is a building in which manufacturing takes place.

Wholesale sales: Items sold for resale are classified as wholesale sales. The buyer must provide the seller with a copy of their [reseller permit](#), a [Farmers' Certificate for Wholesale Purchases and Sales Tax Exemptions](#) or another [approved exemption certificate](#).

Overview of taxes applying to farming

Overview of taxes applying to farming

Registration requirements

Farmers that make retail sales, manufacture products for sale, or provide services are required to register with the Department and obtain an Account ID. Farmers can register by completing a [Business License](#) and paying the appropriate fees.

Farmers that only make wholesale sales of agricultural products that they grow, raise, or produce are not required to be registered with the Department (and do not need to have an Account ID number).

Business and occupation (B&O) tax classifications

Retailing

Farmers that sell products at retail to consumers (e.g. roadside stands, farmer's markets, CSA, etc.) are subject to B&O tax under the retailing classification. ([RCW 82.04.050](#))

Manufacturing

Farmers who manufacture products using agricultural products that they have grown, raised, or produced are subject to B&O tax under the manufacturing classification on the value of products manufactured. ([RCW 82.04.110](#) & [RCW 82.04.120](#))

Activities not considered manufacturing

The following activities are not considered manufacturing activities for purposes of the manufacturing classification of B&O tax:

- Activities which consist of cutting, grading, or ice glazing seafood which has been cooked, frozen, or canned outside this state;
- The growing, harvesting, or producing of agricultural products;
- Conditioning of seed for use in planting;
- Cubing hay or alfalfa;
- Packing of agricultural products, including sorting, washing, rinsing, grading, waxing, treating with fungicide, packaging, chilling, or placing in controlled atmospheric storage; and
- The removal of the head, fins, or viscera from fresh fish without further processing, other than freezing.

References: [RCW 82.04.120](#) & [RCW 82.04.2403](#)

Service and other activities

Persons that perform horticultural services for farmers are subject to B&O tax under the service and other activities classification. A farmer who occasionally assists another farmer in planting or harvesting a crop is generally not considered to be engaged in the business of performing horticultural services. These activities are generally considered to be casual and incidental to the farming activity.

References: [RCW 82.04.290](#), [WAC 458-20-209](#) & [WAC 458-20-210](#)

Wholesaling

A sale by a farmer to someone who will resell their product is classified as a wholesale sale. A B&O tax exemption is provided for wholesale sales by farmers of agricultural products they have produced on their farms. ([RCW 82.04.060](#) & [RCW 82.04.330](#))

Retail sales tax

If the product sold at retail is not an exempt food product or is not otherwise exempt from sales tax, retail sales tax must be collected. (For more information, see sales and use tax exemptions.) Sellers that fail to collect and remit sales tax can be held liable for the tax. Sellers must collect the tax based on the rate in effect where the buyer receives the goods or services. The following are examples of agricultural products and other items sold by farmers that are subject to retail sales tax:

- Turf
- Flowers
- Plants, including fruit and vegetable starts
- Trees
- Shrubs
- Vines
- Moss
- Plantation or other Christmas Trees
- Soap from goats' milk
- Candles
- Decorative items
- Hay/Haylage (feed) except sales for breeding animals registered with a nationally recognized breeding association are considered sales for resale and not subject to retail sales tax. To validate the wholesale sale, the animal owner must give a completed [Farmers' Certificate for Wholesale Purchases and Sales Tax Exemption](#) (Section 2 of the form) to the seller stating that the animal is registered with a nationally recognized breeding association and is used for breeding purposes.

Reference: [RCW 82.08.020](#)

Use tax

If a farmer uses items in Washington that were acquired without paying sales tax, and the items are not exempt from sales tax, then the farmer owes use tax. A farmer must pay either use tax or sales tax on a non-exempt item, but not both. Use tax is applied at the same rate as sales tax.

Example: Farmer John purchases a plow in Idaho and does not pay sales tax. He brings the plow to Washington and uses the plow on his field in Washington. In this situation, the purchase of the plow was not exempt from sales tax; therefore, Farmer John owes use tax on the value of the plow. Farmer John may submit the use tax on either a [consumer use tax return](#) or on his next excise tax return if he is registered with the Department.

For more detailed information on use tax please see the Use Tax Section of this guide.

Reference: [WAC 458-20-178](#) & [RCW 82.12.020](#)

Public utility tax (PUT)

Public utility tax is assessed on specific public service businesses in lieu of B&O tax. While there are several different types of businesses that are subject to this tax, generally farmers are not subject to PUT. However farmers who transport items (agricultural products and/or machinery and equipment) for others could be subject to PUT under the motor or urban classification.

For more information see also Hauling for Hire:

References: [RCW 82.16.020](#) & [WAC 458-20-180](#)

Litter tax

The gross proceeds of sales of certain products, including food for human or pet consumption, are subject to litter tax. A farmer does not owe litter tax on wholesale sales of agricultural products grown by the farmer. When due, litter tax is reported on the same return as B&O tax and sales tax (excise tax return).

A farmer owes litter tax when the farmer:

- Makes retail sales of food and food ingredients for human or pet consumption.
- Manufactures products to sell at wholesale or retail in this state (e.g., a farmer who produces wine from grapes that the farmer has grown).
- Makes sales of other products subject to the litter tax.

Example: RD Orchards (RD) grows apples in its orchards. Most apples are sold at wholesale, but RD operates a seasonal roadside fruit stand where it makes retail sales of apples. RD's wholesale sales of apples are exempt from both the B&O and litter taxes. RD's retail sales of apples are subject to retailing B&O and litter taxes but are exempt from sales tax. RD is not responsible for collecting the retail sales tax because apples are an exempt food product.

For more information about the litter tax, including a list of the 13 product categories subject to litter tax, please see [WAC 458-20-243](#).

References: [RCW 82.19.020](#), [RCW 82.19.050](#) & [WAC 458-20-243](#)

Hazardous substance tax

Hazardous substance tax

The Hazardous Substance Tax (HST) is a tax on the possession of hazardous substances in Washington. The tax is imposed on the first possessor of the hazardous substance in Washington and is paid directly to the department.

HST applies to many pesticides, petroleum products, and chemicals used in the agriculture and farming industry.

Are farmers exempt from this tax?

Farmers are not generally exempt from this tax. The tax is on the first possessor of a hazardous substance and does not apply to subsequent possessors when the tax has already been paid. If you purchase hazardous products from an in-state supplier, your billing from the supplier may indicate that the HST was paid and that it is being passed on to you.

If you purchase the hazardous substance from an out-of-state supplier who has not paid Washington's HST, then you owe the tax as the first possessor in this state.

How do I pay the tax?

The tax is reported on the Excise Tax Return. There are two separate lines on the return to report each HST rate.

What rate do I pay?

Petroleum products measured on a per barrel basis are subject to a per barrel (42 gallons) rate according to the table below. For these products, use the *Hazardous Substance Tax by Volume* line.

Period	Tax rate per barrel
July 1, 2024 - June 30, 2025	\$1.48
July 1, 2023 - June 30, 2024	\$1.40
July 1, 2022 - June 30, 2023	\$1.20
July 1, 2021 - June 30, 2022	\$1.14
July 1, 2020 - June 30, 2021	\$1.13
July 1, 2019 - June 20, 2020	\$1.09

Note: The per barrel rate on petroleum products will be adjusted for inflation on July 1 each year.

Petroleum products not easily measured on a per-barrel basis:

- That remain in a liquid state at standard temperature and pressure of 25°C (or 77°F) and 1 atmosphere (or 14.7 pounds per square inch) are subject to HST on a per barrel basis according to the table above. For these products, use the *Hazardous Substance Tax by Volume* line.
- That do not remain in a liquid state under these conditions will continue to be taxed at a rate of 0.7% (.007) multiplied by the wholesale value of the petroleum product. For these products, use the *Hazardous Substance Tax by Value* line.

Non-petroleum products are subject to a rate of 0.7% (.007) multiplied by the wholesale value of the products. For these products, use the *Hazardous Substance Tax by Value* line.

Additional information

See our [Hazardous Substance Tax](#) webpage for more information on how to report this tax.

References:

[WAC 458-20-252](#)

[Chapter 82.21 RCW](#)

Specific activities of farmers

Specific activities of farmers

Beekeepers (Pollination)

Sales of insects: The sale of insects such as leaf-cutter bees for the purpose of pollination to a farmer is subject to the wholesaling B&O tax. A [farmers' exemption certificate](#), a copy of a valid [reseller permit](#), or other [approved exemption certificate](#) must be given to the seller.

However, sales of honey bee products by “eligible apiarists” are exempt from B&O tax. This exemption expired *July 1, 2017*.

Pollination services: Beekeepers provide bees (usually honey bees) to farmers for the purpose of pollination. Generally, the income of the beekeeper is subject to B&O tax under the service and other activities classification, as a horticultural service. However income received by an eligible apiarist for providing bee pollination services is exempt from B&O tax. This exemption expired *July 1, 2017*.

Sales/use tax exemptions

Sales and use tax exemptions are provided for the following:

- Purchases of bees by an eligible apiarist.
- Purchases of feed used by an eligible apiarist in the raising of a bee colony used to make honey products.

To document the exempt purchases, the eligible apiarist (buyer) must give the seller a properly completed [Buyer's Retail Sales Tax Exemption Certificate](#) at the time of purchase.

Sales or use tax is owed on the purchase of other items such as bee hives, hive components, extractors, protective clothing, and beekeeping equipment.

References: [RCW 82.04.629](#), [RCW 82.04.630](#), [WAC 458-20-210](#).

Cannabis

Effective June 12, 2014, recreational and medical cannabis producers (growers) and businesses that provide services to cannabis producers are excluded from certain B&O tax deductions and exemptions, retail sales and use tax exemptions, and other excise tax exemptions and deductions. (See [Senate Bill \(SB\) 6505 \[Chapter 140, Laws of 2014\]](#).)

Please see our [Special Notice: Recreational and Medical Cannabis – Repeal and Clarification of Excise Tax Deductions, Exemptions, and Preferential Rates](#) for all tax deductions, exemptions, and preferential rates that do not apply on the production, processing, and sale of cannabis.

Cannabis producers are not farmers and cannabis is not an agricultural product: Cannabis, useable cannabis, and cannabis-infused products, including cannabis concentrates, are excluded from the definition of an “agricultural product” under [RCW 82.04.213](#). Since these products are not defined as agricultural products, cannabis producers are not farmers as defined in that statute.

Cannabis producers and business selling goods and services to Cannabis businesses do not qualify for the following tax deductions and exemptions:

B&O tax deductions and exemptions:

- Wholesale sales of agricultural products by farmers. Cannabis producers must pay wholesaling B&O tax on their wholesale sales of cannabis. [RCW 82.04.330](#).
- Wholesale sales to farmers of seed conditioned for use in planting and conditioning seed for planting owned by others. [RCW 82.04.331](#).
- Businesses receiving, washing, sorting, and packing of fresh perishable horticultural products for a farmer. [RCW 82.04.4287](#).
- Interest received from loans to farmers. [RCW 82.04.4294](#).

- Businesses performing custom farming services, farm management services, and contract labor services for a farmer.
- Businesses must pay B&O tax on the gross income received from the sale of these goods and services when sold to cannabis producers. When performing these activities for cannabis producers, these activities may be considered a retail sale subject to retail sales tax.

Retail sales tax and use tax exemptions:

- The leveling of land used for farming or agriculture. [RCW 82.04.050\(2\)\(b\)](#).
- Horticultural services provided to farmers. [RCW 82.04.050\(3\)\(d\)](#).
- Sales of seeds, seedlings, fertilizer, chemical sprays and washes, spray materials (pesticides), and agents for enhanced pollination. [RCW 82.04.050\(11\)](#).
- Auction sales of personal property that has been used in conducting a farm activity. [RCW 82.08.0257](#) and [RCW 82.12.0258](#).
- Sales of machinery and implements, parts for machinery and implements, and labor for repair of machinery and implements to nonresident farmers. [RCW 82.08.0268](#).
- The constructing, repairing, decorating, or improving of buildings or other structures used as farmworker housing. [RCW 82.08.02745](#) and [RCW 82.12.02685](#).
- The leasing of irrigation equipment. [RCW 82.08.0288](#) and [RCW 82.12.0283](#).
- Purchases of materials and supplies directly used in the packing of fresh perishable horticultural products. Businesses must pay retail sales tax or use tax on materials and supplies directly used in the packing of cannabis for cannabis producers. [RCW 82.08.0311](#) and [RCW 82.12.0311](#).
- Sales to farmers of replacement parts for qualifying machinery and equipment. [RCW 82.08.855](#) and [RCW 82.12.855](#).
- Sales of diesel fuel, biodiesel fuel, or aircraft fuel, to a farm fuel user for agricultural purposes. [RCW 82.08.865](#) and [RCW 82.12.865](#).

Cannabis producers must pay retail sales tax or use tax on their purchases of these goods and services. Cannabis producers may not use a [Farmer's Certificate for Wholesale Purchases and Sales Tax Exemptions](#) or reseller permit to purchase these goods and services without paying sales tax.

Motor vehicle sales and lease tax exemption: Cannabis producers must pay retail sales tax plus an additional 0.3% motor vehicle sales and lease tax on all purchases and leases of motor vehicles. While sales of farm tractors and farm vehicles are exempt from the additional 0.3% motor vehicle sales and lease tax, cannabis producers do not qualify for this exemption. [RCW 82.08.020\(4\)](#).

Public Utility Tax (PUT) deduction and exemptions:

- The deduction from gross income received from the distribution of water through an irrigation system. [RCW 82.16.050\(7\)](#).
- The exemption for gross income received from hauling agricultural products or farm machinery or equipment for a farmer or for a person performing custom farming services. [RCW 82.16.300](#).

Businesses must pay PUT on the gross income received from providing these services to cannabis producers.

Leasehold Excise Tax (LET) credit on product leases: Property used in the production of cannabis does not qualify for the LET credit on a product lease as this property is excluded from the definition of a “product lease.” [RCW 82.29A.120](#) and [RCW 82.29A.020\(3\)](#).

Mushrooms and other forest products

Sales of mushrooms and other forest products (plants, moss, branches, etc.): Persons who sell mushrooms and other forest products are not considered farmers for this type of income. If your income from this activity is

\$12,000 (or more) or you make retail sales of these items, you are required to be registered with the Department.

Income from wholesale sales of mushrooms and other forest products is subject to B&O tax under the wholesaling classification. Sellers must obtain a copy of an approved exemption certificate.

Income from sales to consumers of mushrooms and other forest products is subject to B&O tax under the retailing classification. Sellers must collect retail sales tax on sales unless specifically exempt.

References: [Special Notice on Harvested Mushrooms and other Forest Products.](#)

Christmas tree farmers

Plantation Christmas trees: Persons growing plantation Christmas trees on their own land or on land in which they have a present right of possession are farmers.

Plantation Christmas trees are Christmas trees that are exempt from the timber excise tax under [RCW 84.33.170](#). This requires that the Christmas trees be grown on land prepared by intensive cultivation and tilling, such as irrigating, plowing, or turning over the soil, and on which all unwanted plant growth is controlled continuously for the exclusive purpose of raising Christmas trees.

Wholesale sales of plantation Christmas trees by farmers are exempt from B&O tax, provided that the farmer receives an appropriate exemption certificate from the buyer documenting the wholesale nature of the sale.

Retail sales of plantation Christmas trees by farmers are subject to the retailing B&O and retail sales tax.

Farmers growing or producing plantation Christmas trees may purchase seeds, seedlings, fertilizer, and spray materials at wholesale; as long as the farmer provides the seller with an appropriate exemption certificate.

Other Christmas tree operations: Persons who either directly or by contracting with others for the necessary labor or mechanical services fell, cut, or take Christmas trees other than plantation Christmas trees are extractors. See [WAC 458-20-13501](#) (Timber harvest operations).

References: [RCW 82.04.213](#), [RCW 82.04.035](#) & [RCW 82.04.100](#).

Cold storage warehousing

A cold storage warehouse is a storage warehouse used to store fresh and/or frozen perishable fruits or vegetables, meat, seafood, dairy products, or fowl at a desired temperature to maintain the quality of the product. It does not include providing freezer space or frozen food lockers.

The gross income from operating a warehouse includes all income from the storing, handling, sorting, weighing, measuring, and loading or unloading of items for storage in a cold storage warehouse. Persons operating a cold storage warehouse are subject to B&O tax under the warehousing classification.

References: [WAC 458-20-182](#)

Feedlots

Feeding for hire: Income received by a feedlot for feeding cattle owned by others is exempt from B&O tax under [RCW 82.04.330](#) if the cattle are held by the feedlot for at least sixty days while the cattle are prepared for market. If the feedlot raises the cattle for less than sixty days, the income received for feeding the cattle is subject to B&O tax under the service and other activities classification.

Cattle owned by feedlot: A feedlot that fattens its own cattle for at least sixty days before selling them at wholesale will be treated as a farmer (not subject to B&O tax on its wholesale sales of cattle). If a feedlot owns the cattle for less than sixty days, the sales are subject to the wholesaling classification of the B&O tax.

References: [WAC 458-20-210](#)

Hay compressing or cubing

Hay compressing: Compressing hay is the process of placing bales of hay into a compressor. No foreign substances or materials are added to the pure hay. Hydraulic presses then compress the bales. No physical change involving grinding or cubing occurs. The bale is merely compressed into a more convenient size for shipping.

Hay cubing: Cubing hay involves the addition and/or subtraction of moisture, and an extensive amount of processing which results in significant changes in form, demand, and value. Cubing hay is excluded from the definition of "to manufacture."

Income received from compressing or cubing hay for hire is subject to the service and other activities B&O tax classification.

References: [RCW 82.04.120](#)

Hauling for hire

The transportation by motor vehicle of agricultural products or other property for others is subject to either public utility tax or B&O tax.

Public utility tax: If any of the transportation occurs on public roads, the income is taxable under either the motor or urban transportation classification of the public utility tax.

B&O tax: If the transportation occurs only on private land, the income is subject to the service and other activities B&O tax classification.

However, the public utility tax doesn't apply to any person hauling agricultural products or farm machinery or equipment for a farmer or for a person performing custom farming services, when the person providing the hauling or custom farming services and the farmer are related.

Please also see the exemption for [Farm Hauling by Related Parties](#).

References: [WAC 458-20-180](#)

Please see our Special Notice: [Custom services for farmers – B&O and public utility tax exemptions](#) for additional information and definitions.

Nurseries/nurseryman

A "nurseryman" is a person who grows, propagates, or produces for sale upon the person's own lands or upon land in which the person has a present right of possession, any flowers, trees, shrubs, or vines.

Wholesale sales: Nurserymen are exempt from B&O tax on income from wholesale sales of flowers, trees, shrubs, and vines.

Sales to nurseries: Sales of seeds, fertilizers, and spray materials to nurseries for use in producing for sale flowers, trees, shrubs, or vines are wholesale sales.

Retail sales: Nurserymen are subject to the retailing B&O tax classification on income from sales to , and must collect retail sales tax from buyers on all retail sales of flowers, trees, shrubs, and vines.

References: [RCW 82.04.330](#) & [WAC 458-20-158](#)

Public markets, roadside stands, CSA sales, etc.

Sales of agricultural products to consumers at public markets or roadside stands are retail sales. Farmers that make these types of sales are required to register with the Department and obtain an Account ID.

Food sales: Agricultural products sold as food or food ingredients are exempt from sales tax, but farmers making these sales are subject to the retailing B&O tax classification.

Non-food sales: Farmers that sell agricultural products that are not considered food or food ingredients are subject to the retailing B&O tax classification and must collect retail sales tax from the buyer, unless specifically exempt by law.

References: [WAC 458-20-101](#), [WAC 458-20-210](#) & [WAC 458-20-244](#)

Seed furnished under grower contracts

Many seed companies contract with farmer-growers to raise seed. These companies provide the seed, and in turn agree to purchase the crop if it meets specified standards. These contracts will often provide that ownership of the crop is retained by the seed company, while the risk of crop loss is borne by the farmer-grower. However, the farmer-grower is obligated to pay for the seed whether or not the crop meets the specified standard.

Wholesaling B&O: The transfer of possession of the seed to the farmer-grower is a sale. There is a transfer of ownership or possession for a valuable consideration. These sales transactions are sales for resale, and subject to the wholesaling B&O tax classification.

Purchases: Fertilizer and spray materials may be purchased by the farmer-grower with a [reseller permit](#) or a [Farmers' Certificate for Wholesale Purchases and Sales Tax Exemptions](#), without payment of sales tax. The companies that provide the seeds are not farmers, therefore, they cannot purchase fertilizer and spray materials without paying sales tax.

Reference: [WAC 458-20-210](#)

Shellfish or other aquatic products

The term "agricultural products" includes products of "aquaculture" and animals that are "cultured aquatic products." Aquaculture means the process of growing, farming, or cultivating private sector cultured aquatic products in marine or freshwaters and includes management by an "aquatic farmer." An aquatic farmer is a private sector person who commercially farms and manages the cultivating of private sector cultured aquatic products on the person's own land or on land in which the person has a present right of possession.

Wholesale sales: Sales of aquatic products by farmers for resale are not subject to the B&O tax. Sales of Feed to aquatic farmers for use in the cultivating or raising of fish for sale are wholesale sales; Aquatic farmers must

provide their vendor with either a [reseller permit](#) or a [Farmers' Certificate for Wholesale Purchases and Sales Tax Exemptions](#) to document the wholesale purchases of these items.

Retail sales: Sales of aquatic products by farmers to consumers are subject to B&O tax under the *retailing* classification and retail sales tax must be collected from the buyer, unless specifically exempt by law.

References: [RCW 15.85.020](#), [RCW 82.04.050](#), [RCW 82.04.060](#), [RCW 82.04.213](#), [RCW 82.04.330](#), & [RCW 82.08.0294](#)

Short rotation hardwoods short rotation hardwoods

Short rotation hardwoods are trees, such as but not limited to, hybrid cottonwoods, cultivated by agricultural methods in growing cycles shorter than 15 years. Persons cultivating short rotation hardwoods are considered farmers.

Wholesale sales: Sales of short rotation hardwoods to others for resale are exempt from the B&O tax.

Purchases: Farmers growing or producing short rotation hardwoods may purchase seeds, seedlings, fertilizer, and spray materials at wholesale. Farmers must provide their vendor with either a [reseller permit](#) or a [Farmers' Certificate for Wholesale Purchases and Sales Tax Exemptions](#) to document the wholesale purchases of these items.

References: [RCW 82.04.213](#) & [RCW 84.33.035](#)

Turf farmers

Turf grass is an agricultural product. Sales of turf grass by farmers can be either wholesale or retail sales.

Wholesale sales: Sales of turf grass by farmers for resale are not subject to B&O tax.

Purchases: Turf grass farmers may purchase seeds, fertilizer, and spray materials at wholesale. Turf farmers must provide their vendor with either a [reseller permit](#) or a [Farmers' Certificate for Wholesale Purchases and Sales Tax Exemptions](#) to document the wholesale purchases of these items.

Retail sales: Sales of turf grass by farmers at retail (sales to consumers) are subject to the retailing B&O tax classification and retail sales tax must be collected from the buyer.

References: [RCW 82.04.213](#) & [RCW 82.04.330](#)

Wineries

Persons that harvest and process their own fruit are considered farmers for the harvesting portion of their business. They are, therefore, eligible for all of the exemptions provided to qualified farmers as explained in this guide. The processing of the fruit into wine is considered a manufacturing activity and the equipment used directly in this processing is exempt from sales and/or use tax as explained in [WAC 458-20-13601](#). For information on the reporting responsibilities of wineries see the [Winery Guide](#).

Example: WG Vineyards (WG) produces wine from grapes that it grows in its vineyards located within this state. WG makes wholesale sales of its wine to customers both within and outside of this state. WG is subject to manufacturing B&O tax on the value of the wine it produces. WG is also subject to wholesaling B&O tax on wholesale sales of wine delivered to buyers within this state, and WG is entitled to a multiple activities tax

credit. In addition, WG is subject to litter tax on the value of wine sold within this state. However, if WG sales grapes to other wineries (at wholesale), the sale of those grapes would not be subject to wholesaling B&O tax.

B&O tax classifications specific for agriculture

B&O tax classifications specific for agriculture

The B&O tax contains classifications and preferential rates for certain activities (listed below) of the agricultural community. Farmers who perform these activities should report that income under the appropriate classification. Each classification is followed by the applicable RCW. [Chapter 82.04 RCW](#)

Special manufacturing classifications

- Manufacturing wheat into flour; barley into pearl barley; soybeans into soybean oil; canola into canola oil, canola meal, or canola byproducts; or sunflower seeds into sunflower oil. The special manufacturing B&O tax classification only applies to the manufacturing of the whole-grain items listed above. [RCW 82.04.260](#)
- Splitting or processing dried peas. [RCW 82.04.260](#)
- Manufacturing seafood products that remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing. [RCW 82.04.260](#).
- Manufacturing by canning, preserving, freezing, processing, or dehydrating fresh fruits and vegetables. [RCW 82.04.260](#).
- Manufacturing dairy products. The dairy products must be identified as of September 20, 2001, in 21 C.F.R. (Code of Federal Regulations), chapter 1, parts 131, 133, and 135. The special B&O tax rate includes byproducts from the manufacturing of dairy products, such as whey and casein. [RCW 82.04.260](#).
- Slaughtering, breaking and/or processing perishable meat products and/or selling these products at wholesale. [RCW 82.04.260](#). This classification combines manufacturing and nonmanufacturing activities into a single taxable business activity.

Special warehousing classification

Operating a cold storage warehouse. [RCW 82.04.280](#).

- A "cold storage warehouse" means a storage warehouse used to store fresh and/or frozen perishable fruits or vegetables, meat, seafood, dairy products, or fowl, or any combination thereof, at a desired temperature to maintain the quality of the product for marketing.
- A "storage warehouse" means a building or structure, or any part thereof, in which goods, wares, or merchandise are stored for compensation, except field warehouses, fruit warehouses, fruit packing plants, warehouses licensed under chapter [22.09 RCW](#), public garages storing automobiles, railroad freight sheds, docks and wharves, and "self-storage" or "mini storage" facilities whereby customers have direct access to individual storage areas by separate entrance.
- "Storage warehouse" does not include a building or structure, or that part of such building or structure, in which an activity taxable under [RCW 82.04.272](#) (persons warehousing and reselling prescription drugs) is conducted.

B&O and public utility tax deductions and exemptions

B&O and public utility tax deductions and exemptions

Agricultural fairs

B&O tax does not apply to any business of any bona fide agricultural fair, if no part of the net earnings benefits any stockholder or member of the association conducting the agricultural fair. Any amount paid for admission to

any exhibit, grandstand, entertainment, or other feature conducted within the fairgrounds by others is subject to B&O tax, except as otherwise provided by law.

References: [RCW 82.04.335](#)

Agricultural products by a farmer (wholesaling)

B&O tax does not apply to any farmer that sells any agricultural product at wholesale or to any farmer who grows, raises, or produces agricultural products owned by others, such as custom Feed operations. This exemption does not apply to any person selling agricultural products at retail or to any person selling manufactured substances or articles.

References: [RCW 82.04.330](#)

Buying and selling at wholesale wheat, oats, dry peas, dry beans, lentils, triticale, canola, corn, rye, and barley.

B&O tax does not apply to amounts received from buying and selling, at wholesale, wheat, oats, dry peas, dry beans, lentils, triticale, canola, corn, rye, and barley. The exemption does not include buying or selling of any manufactured products made from wheat, oats, dry peas, dry beans, lentils, triticale, canola, corn, rye, and barley.

References: [RCW 82.04.332](#)

Custom farming services

The B&O tax and public utility tax exemptions for certain providers of custom farming and other farming-related services were previously available between August 1, 2007 and December 31, 2020.

Effective July 1, 2022, the tax exemptions for certain providers of custom farming and other farming-related services for farmers are restored.

B&O tax does not apply to a person performing custom farming services for a farmer, when the person performing the custom farming services is:

- An eligible farmer.
- At least fifty percent owned by an eligible farmer.

Also, B&O tax does not apply to persons that perform one or any combination of specific farming services for a farmer or a person performing custom farming services when the person performing the service and the farmer or custom farmer receiving the service are related. The specific farming services eligible for the exemption are:

- Farm management services.
- Contract labor services.
- Services provided to animals that are defined as agricultural products in RCW 82.04.213.

Please see our Special Notice: [Services for farmers – B&O and public utility tax exemptions](#) for additional information and definitions.

Federal conservation reserve program (payments received from)

B&O tax does not apply to any persons who participate in the federal conservation reserve program or its successor administered by the United States Department of Agriculture with respect to land enrolled in that program.

References: [RCW 82.04.330](#)

Hatching eggs or poultry (sales of)

B&O tax does not apply to amounts received by poultry farmers for the sale of hatching eggs or poultry, when the hatching eggs or poultry are for use in the production of poultry or poultry products for sale.

References: [RCW 82.04.410](#)

Farm Hauling by related parties

Persons that haul agricultural products, farm machinery, or equipment for a farmer or person performing custom farming services are exempt from public utility tax when the person performing the hauling and the farmer or custom farmer receiving the service are related.

Please see our Special Notice: [Services for farmers – B&O and public utility tax exemptions](#) for additional information and definitions.

Interest on loans to farmers, ranchers, or producers or harvesters of aquatic products

A B&O tax deduction is available for amounts derived as interest on loans to bona fide farmers and ranchers, producers or harvesters of aquatic products, or their cooperatives. The lending institution must be owned exclusively by its borrowers or members. The lending institution must be engaged solely in the business of making loans and providing finance-related services to bona fide farmers and ranchers, producers or harvesters of aquatic products, their cooperatives, rural residents for housing, or persons engaged in furnishing farm-related or aquatic-related services to these individuals or entities.

References: [RCW 82.04.4294](#)

Interstate or foreign sales

Washington State does not impose B&O tax on sales of goods that originate in Washington if receipt of the goods occurs outside Washington.

References: [WAC 458-20-193](#)

Processed hops for use out-of-state (sales of)

B&O tax does not apply to amounts received by hop growers or dealers for hops that are shipped outside the state of Washington for first use if the hops have been processed into extract, pellets, or powder in this state. This exemption does not apply to a processor or warehouser on amounts charged for processing or warehousing hops.

References: [RCW 82.04.337](#)

Receiving, washing, sorting, and packing horticultural products (income from)

A B&O tax deduction is available for amounts received by any person as income for receiving, washing, sorting, and packing fresh perishable horticultural products, and the material and supplies used therein, when performed for a farmer, either as agent or as independent contractor.

References: [RCW 82.04.4287](#) & [ETA 3160](#)

Seed sold at wholesale to farmers or conditioning seed for planting

B&O tax does not apply to amounts received by a person engaging within this state in the business of:

- Making wholesale sales to farmers of seed conditioned for use in planting and not packaged for retail sale;
- or
- Conditioning seed for planting owned by others.

References: [RCW 82.04.331](#) & [RCW 15.49.011](#)

Sales to farmers

Sales to farmers

The following discussion provides tax reporting responsibilities to businesses selling goods to farmers.

Retail sales

Sales or rentals of items, including those listed below, to farmers are subject to B&O tax under the retailing classification. Sellers must collect sales tax unless purchases are specifically exempt by law. (For more information, see [sales tax exemptions](#).)

- Machinery
- Combines
- Irrigation systems
- Vehicles
- Parts
- Tools
- Cleaning materials

Wholesale sales

Sales of the following items to farmers, for the purpose of producing for sale any agricultural product, are subject to B&O tax under the wholesaling classification:

- Feed
- Seed
- Seedlings

- Fertilizer
- Agents for enhanced pollination (including insects such as bees)
- Spray materials
- Chemical sprays or washes sold to farmers or other persons for post-harvest treatment of fruit for the prevention of scald, fungus, mold, or decay.
- Containers, packaging, and wrappers that are sold by the farmer along with the agricultural product to be contained therein.

The seller must document wholesale sales by retaining a copy of the buyer's [reseller permit](#) or a [Farmers' Certificate for Wholesale Purchases and Sales Tax Exemptions](#).

References: [WAC 458-20-102](#) & [WAC 458-20-115](#).

Services to farmers

Services to farmers

Farming for hire and performing horticultural services for farmers: Persons who engage in farming for hire, or who perform horticultural services for farmers, are generally subject to the service and other activities B&O classification on the gross income of these activities. The term "horticultural services" includes, but is not limited to, the following activities:

- Soil preparation of land currently being used to raise plant crops, such as plowing, weed control, or orchard stump removal before replanting;
- Crop cultivation activities such as planting, thinning, weeding, pruning, or spraying; and
- Crop harvesting activities such as threshing grain or legumes, mowing and baling hay, or picking fruit.

Persons in the business of farming for hire or performing horticultural services for farmers are considered the consumers of any materials they purchase unless they resell the materials and bill their customer (the farmer) a separate charge for the materials.

Example: ABC Aviation Co. (ABC) is hired by farmers to spray pesticides on their crops. ABC segregates the charge for the pesticides and the charge for the application on its sales invoices. When reporting its tax liability, ABC should report the charge for the pesticide application under the service and other activities B&O tax classification. The charge for the sale of the spray materials is subject to the wholesaling B&O tax, provided ABC obtains a Farmers' Certificate for Wholesale Purchases and Sales Tax Exemption from the farmer. The purchases of pesticides by ABC are for resale and are not subject to retail sales tax, provided that ABC gives the seller a copy of a reseller permit or other appropriate exemption certificate.

If ABC does not segregate their charges (i.e. they charge one lump sum for both the application and the pesticides), then the entire amount received by ABC would be subject to B&O tax under the *service and other activities classification*. ABC would not charge the farmers sales tax. ABC must pay sales tax when they purchase the pesticides. The entire amount charged by ABC is for horticultural services, and ABC is considered the consumer of the pesticides.

References: [RCW 82.04.050](#), [WAC 458-20-102](#), & [WAC 458-20-209](#)

Use tax

Use tax

Farmers' use tax obligation

Unlike other types of businesses, farmers are not generally required to register with the Department. For this reason, many farmers may be unaware that they owe use tax when tangible personal property such as machinery and equipment is acquired without paying Washington's retail sales tax.

Example: A farmer who buys a combine from a neighboring farmer owes use tax, unless specifically exempt by law.

When a farmer purchases machinery and equipment from a dealer in this state, the farmer must pay sales tax to the dealer, unless the sale is specifically exempt by law. The dealer in turn pays the collected sales tax to the Department. There are many instances, however, where sales tax is not paid to the seller. In these situations, the farmer must remit the sales tax (commonly referred to as "deferred sales tax") or use tax directly to the Department, unless the purchase is specifically exempt by law.

Examples: The following are examples of when farmers owe use tax, presuming no exemption from the tax applies:

- Machinery and equipment purchased from another farmer. Unless the selling farmer is registered with the Department, sales tax will not be collected.
- Machinery and equipment purchased in another state with no sales tax or in a state with a sales tax rate less than Washington's. If sales or use tax was paid in another state, the buyer may take a credit for the amount of tax paid against the amount of use tax due in Washington.
- Machinery and equipment are purchased from an out-of-state Internet seller or from a mail order catalog. Generally, these types of remote sellers are not required to collect Washington's sales tax. However, the farmer owes use tax on these items.

Frequently asked questions about use tax

Do I get credit for equipment I use as a trade-in?

Use tax is computed on the amount due after the value of a "like kind" trade-in is subtracted from the purchase price.

Example: If you bought a plow from a dealer in another state and you used another plow as a trade-in, use tax is due on the remaining balance.

Is use tax due if I acquire farm equipment when I purchase a farm?

If you acquire tangible personal property with the farm, use tax is due on the value of the non-exempt personal property. When completing the Real Estate Excise Tax Affidavit for the County Treasurer, you must indicate the value of the personal property separate from that of the real property. The value of the tangible personal property is subject to use tax, unless an exemption applies to a specific item.

Do I get credit for tax paid in another state?

If sales or use tax was paid in another state, you may take a credit for the amount of tax paid against the amount of use tax due in Washington. In order to take the credit, you must have documentation, such as an invoice, of the amount of tax paid.

Do I owe use tax if machinery or equipment is given to me?

Use tax is not due if the person giving you the machinery or equipment can document that he or she has already paid sales tax or use tax on the item. However, if sales or use tax was not paid by that person, you owe use tax.

When is use tax due?

Liability for use tax arises at the time a taxpayer makes first taxable use of tangible personal property in Washington. Generally, this includes the location of installation, storage, withdrawal from storage, distribution, or any other act preparatory to subsequent actual use or consumption of the property in Washington.

How do I report and pay use tax?

- If you are not registered with the Department , use the [Consumer Use Tax Return](#)
- If you are registered with the Department, use your next excise tax return.
- Use tax on vehicles and trailers that must be licensed for use on roads is paid to the county auditor or licensing agent.

How will the Department of Revenue know if I don't pay the tax?

Department staff actively investigates and pursues businesses and individuals to collect unpaid tax, including use tax. Department employees use many resources to discover unpaid use tax. These resources include:

- Personal property records of the county assessor's office
- Real Estate Excise Tax Affidavits
- Audits

How can I prove that sales or use tax has been paid?

Your invoice proves if sales tax was paid. By law, purchase documents such as sales receipts or invoices must separately state the sales tax from selling price. (See [WAC 458-20-107](#)) To prove you have paid use tax, keep the documentation (e.g., [Consumer Use Tax Return](#) or excise tax return) for all items on which you've paid the tax.

Purchases for dual purposes

A farmer normally engaged in both consuming and reselling certain types of tangible personal property, and not able to determine at the time of purchase whether the property purchased will be consumed or resold, must purchase according to the general nature of his business. If the farmer generally consumes more than fifty percent of the purchase in question, the farmer should not give an exemption certificate for any part of the purchase. If the farmer generally resells more than fifty percent of the purchase, the farmer may provide the seller with an exemption certificate.

If a farmer makes a purchase for dual purposes and does not give an exemption certificate for any of the purchase, then resells some of the articles purchased, the farmer may claim a "taxable amount for tax paid at source" deduction. Refer to [WAC 458-20-102](#) for additional information regarding purchases for dual purposes and the "taxable amount for tax paid at source" deduction.

If the farmer gives an exemption certificate for all purchases and ends up consuming some of the articles purchased, the farmer is liable for deferred sales tax and must remit the tax directly to the Department. Please refer to [WAC 458-20-102](#) for more information regarding deferred sales tax.

Example: A farmer purchases binder twine for binding bales of hay. More than fifty percent of the binder twine is used for hay that will be sold. Because the farmer principally uses the binder twine for binding bales of hay that will be sold, the farmer may provide an exemption certificate to the seller for the entire purchase. The farmer is liable for deferred sales tax on the binder twine used for hay that will feed the farmer's livestock.

References: [RCW 82.08.130](#), [RCW 82.08.880](#), [RCW 82.12.880](#), [WAC 458-20-178](#), and the [Farmers and Use Tax Brochure](#) (pdf)

Sales and use tax exemptions

Sales and use tax exemptions

When making tax-exempt purchases, buyers must provide an appropriate exemption certificate, properly completed, to the seller. The seller is required to keep the certificate on file for a period of five years. For more information on documenting sales tax exemptions please see the Department's [Retail Sales Tax Exemption Documentation Matrix](#).

Farmworker employee housing

Retail sales tax does not apply to labor and services charges for the construction, repair, decoration, or improvement of new or existing structures in which at least 50% of housing units in the development are used as farmworker housing. Retail sales tax does not apply to sales of tangible personal property that becomes part of the structures during the construction, repair, decoration, or improvement of the structures.

In addition, use tax does not apply to the use of tangible personal property that becomes a component of buildings or other structures used as farmworker housing.

These exemptions require that the structures are used to house "farmworkers" (as defined by [RCW 19.30.010](#)) for at least five consecutive years from the date approved for occupancy. Farmworker housing for year-round agricultural employees must meet the state building code ([chapter 19.27 RCW](#)) for single-family or multi-family dwellings.

These exemptions do not apply to housing built for the occupancy of an agricultural employer (as defined by [RCW 19.30.10](#)), family members of an agricultural employer, or persons owning stock or shares in a farm partnership or corporation business. Additionally, the exemption does not apply to housing built exclusively for workers in the United States on an H-2a Visa under the United States citizenship and immigration services.

References: [RCW 82.08.02745](#), [RCW 82.12.02685](#), & [WAC 458-20-262](#)

Anaerobic digesters

Retail sales or use tax does not apply to anaerobic digesters when purchased or used by eligible persons. These taxes also do not apply to services rendered installing, constructing, repairing, cleaning, altering, or improving an anaerobic digester; nor to the sale or use of tangible personal property that becomes a component of the anaerobic digester. The anaerobic digester must be used primarily to treat livestock manure.

The retail sales tax exemption is available only when the buyer provides the seller with a completed [Farmers' Certificate for Wholesale Purchases and Sales Tax Exemptions](#).

References: [RCW 82.08.900](#) & [RCW 82.12.900](#)

Animal pharmaceuticals

Certain animal pharmaceuticals are exempt from retail sales and use taxes when sold to, or used by, farmers or veterinarians. To qualify for the exemption, the animal pharmaceutical must be administered to an animal that is raised by a farmer for the purpose of producing an agricultural product for sale. Also, the animal pharmaceutical must be approved by the United States Department of Agriculture (USDA) or the United States Food and Drug Administration (FDA).

Example: Dairy Farmer purchases sterilizing agents. The sterilizing agents are applied to the equipment and facilities where Dairy Farmer's cows are milked. Dairy Farmer also purchases teat dips, antiseptic udder washes, and salves that are not listed in either the FDA's *Green Book* of approved animal pharmaceuticals or the USDA's *Veterinary Biologics Product Catalogue* of approved biotechnology products. The purchases of sterilizing agents are not exempt as animal pharmaceuticals because the sterilizing agents are not administered to animals. The teat dips, antiseptic udder washes, and salves are likewise not exempt because they have not been approved by the FDA or USDA. This is the case even if these products are approved by the United States Environmental Protection Agency or any other governmental agency.

References: [RCW 82.08.880](#), [RCW 82.12.880](#) & [WAC 458-20-210](#)

Auction sales of farm property

Retail sales and use taxes do not apply to tangible personal property, including household goods, which have been used in conducting a farm activity, if the property was purchased from a farmer at an auction sale held or conducted by an auctioneer on a farm.

References: [RCW 82.08.0257](#) & [RCW 82.12.0258](#)

Beef cattle and/or dairy cows for use by a farmer

Cattle and milk cows used on a farm are exempt from retail sales and use taxes.

References: [RCW 82.08.0259](#) & [RCW 82.12.0261](#)

Chicken bedding materials

Retail sales and use tax does not apply to bedding materials used by farmers to accumulate and facilitate the removal of chicken manure. To qualify for the exemption, the farmer must be raising chickens that are sold as agricultural products.

"Bedding materials" are wood shavings, straw, sawdust, shredded paper, and other similar materials.

References: [RCW 82.08.920](#) & [RCW 82.12.920](#)

Farm fuel

Qualifying fuel is exempt from sales and use taxes when used for producing agricultural products by farmers and persons providing horticultural services for farmers ("farm fuel users").

Qualifying Fuels

- Biodiesel fuel as defined in [RCW 19.112.010](#).
- Diesel fuel as defined in 26 U.S.C. 4083, as amended or renumbered as of January 1, 2006. This includes clear diesel and red-dyed diesel.
- Aircraft fuel as defined in [RCW 82.42.010](#).
- Fuel blends if all the component fuels would otherwise be exempt

Exempt uses of fuel

The exemption applies to fuel used to produce agricultural products and provide horticultural services to farmers. Use of fuel on roadways does not qualify for this exemption.

To receive the exemption, a farm fuel user must give the seller a completed [Farmers' Certificate for Wholesale Purchases and Sales Tax Exemptions](#).

Taxable uses of fuel

The exemption does not apply to uses other than producing agricultural products or providing horticultural services. Also, the exemption does not apply to any use of the fuel by someone other than a farm fuel user.

Examples of taxable use:

- Space or water heating for human habitation
- Generators for producing electrical power for human habitation
- Growing, raising, or producing agricultural products for a person's own consumption
- Transportation (public road use)
- Aerial or other spray applications for timber
- Logging operations

Fuel tax refunds

If you paid the “special fuel tax” on your purchase of diesel or biodiesel fuel within the last 13 months and used the fuel for non-highway purposes, you may be eligible for a refund of the special fuel tax. For more information and to submit a request for a refund, go to the [Department of Licensing's Fuel Tax Section](#).

Include a completed [Farmers' Certificate for Wholesale Purchases and Sales Tax Exemptions](#) with your fuel tax refund request to avoid having use tax deducted from your refund.

References: [RCW 82.08.865](#) & [RCW 82.12.865](#)

Feed for feeding livestock at public livestock markets

Feed to be consumed by livestock at a public livestock market is exempt from retail sales and use taxes.

References: [RCW 82.08.0296](#) & [RCW 82.12.0296](#)

Food and food ingredients for human consumption

Food products for human consumption are exempt from retail sales and use taxes. This exemption includes livestock sold and/or used for human consumption.

References: [RCW 82.08.0293](#), [RCW 82.12.0293](#), & [WAC 458-20-244](#)

Fruit/vegetable packing materials

Retail sales and use taxes do not apply to materials and supplies directly used in the packing of fresh, perishable horticultural products by any person who is entitled to a B&O tax deduction under [RCW 82.04.4287](#) either as an agent or independent contractor.

References: [RCW 82.08.0311](#) & [RCW 82.12.0311](#)

High unemployment county sales/use tax deferral

The High Unemployment County Deferral/Exemption Program grants a waiver of sales/use tax on pre-approved construction of manufacturing facilities and on purchases of qualified machinery and equipment for new and expanding businesses in certain geographical areas.

Leased irrigation equipment

Retail sales and use taxes do not apply to the lease or use of irrigation equipment if:

- The irrigation equipment was purchased by the lessor for the purpose of irrigating land controlled by the lessor;
- The lessor has paid sales or use tax in respect to the irrigation equipment;
- The irrigation equipment is attached to the land in whole or in part; and
- The irrigation equipment is an incidental part of the lease of the underlying land and is used solely on such land.

References: [RCW 82.08.0288](#) & [RCW 82.12.0283](#)

Livestock for breeding purposes

The sale or use of livestock for breeding purposes where the animals are registered in a nationally recognized breed association is exempt from retail sales and use taxes.

References: [RCW 82.08.0259](#) & [RCW 82.12.0261](#)

Machinery and equipment used directly in a manufacturing operation by farmers

Machinery and equipment used directly in a manufacturing operation by a manufacturer or processor for hire is exempt from sales or use tax provided that all requirements for the exemption are met. This exemption is commonly referred to as the M&E exemption. Farmers who use agricultural products that they have grown, raised, or produced as ingredients in a manufacturing process may be entitled to the M&E exemption on the acquisition of machinery and equipment used directly in their manufacturing operation.

References: [RCW 82.08.02565](#), [RCW 82.12.02565](#) & [WAC 458-20-13601](#)

Machinery and implements to nonresidents (sales of)

The retail sales tax does not apply to sales to nonresidents of this state for use outside of this state of:

- Machinery and implements for use in conducting a farming activity;
- Parts for machinery and implements for use in conducting a farming activity; and
- Labor and services for the repair of machinery, implements, and parts for use in conducting a farming activity.

To qualify for the exemption, the machinery, implements, and parts must be transported immediately outside the state.

References: [RCW 82.08.0268](#) & [WAC 458-20-239](#)

Pollen

Pollen is exempt from retail sales and use taxes.

References: [RCW 82.08.0277](#) & [RCW 82.12.0273](#)

Poultry

Retail sales or use tax does not apply to poultry used in the production for sale of poultry or poultry products.

References: [RCW 82.08.0267](#) & [RCW 82.12.0262](#)

Propane or natural gas to heat chicken structures

Retail sales or use tax does not apply to propane or natural gas used to heat structures housing chickens. The propane or natural gas must be used exclusively to heat the structures. The structures must be used exclusively to house chickens that are sold as agricultural products.

"Structures" are barns, sheds, and other similar buildings in which chickens are housed.

References: [RCW 82.08.910](#) & [RCW 82.12.910](#)

Replacement parts

A sales and/or use tax exemption is available to eligible farmers for purchases of replacement parts for qualified farm machinery and equipment.

The exemption applies to charges for:

- Parts that replace an existing part, or which are essential to maintain the working condition, of a piece of qualifying farm machinery and equipment;
- Installing replacement parts for qualifying farm machinery and equipment; and
- Repairing qualifying farm machinery and equipment.

A replacement part does not include paint, fuel, oil, grease, hydraulic fluids, anti-freeze, and similar items except when the seller incorporates these items when installing exempt replacement parts or making repairs to qualifying farm machinery and equipment.

If exempt installation or repair services are provided in a single transaction that also involves the provision of nonexempt services, the exemptions apply to the exempt services as long as the charge for the exempt services are separately itemized and does not exceed the seller's usual and customary charge for such services. The exemptions do not apply if the seller makes a single non-itemized charge for all of the services.

The separate charge for qualifying parts and labor cannot exceed the seller's usual and customary charge for such services. A seller that does not separately itemize the charges is responsible for collecting and remitting sales tax on the entire charge and will be held personally responsible for any uncollected sales tax due on such a transaction.

In order to obtain the exemption an eligible farmer must provide their vendor with a completed [Farmers' Certificate for Wholesale Purchases and Sale Tax Exemptions](#).

In order to be eligible for this exemption:

- a) A Farmer must have gross sales or harvested value of agricultural products grown, raised, or produced of least ten thousand dollars for the immediately preceding tax year; or
- b) A farmer must have agricultural products that had an estimated value of at least ten thousand dollars for the immediately preceding tax year, if the person did not sell or harvest an agricultural product during that year; or
- c) A Farmer who has merely changed identity or the form of ownership of an entity that was an eligible farmer, where there was no change in beneficial ownership, and the combined gross sales, harvested value, or estimated value of agricultural products by both entities met the requirements of above for the immediately preceding tax year;
- d) A farmer who does not meet the definition of "eligible farmer" as defined above, and who did not engage in farming for the entire immediately preceding tax year, because the farmer is either new to farming or newly returned to farming.

For more information please refer to [RCW 82.08.855](#)

Qualifying farm machinery and equipment:

Qualifying machinery and equipment includes farm tractors and other farm implements, and means machinery and equipment used primarily by an eligible farmer for growing, raising, or producing agricultural products.

A "farm tractor" is a motor vehicle that is designed and used primarily as a farm implement for drawing plows, mowing machines, and other farm implements of husbandry. ([RCW 46.04.180](#))

“Farm vehicles” are vehicles used primarily in agricultural pursuits on farms for the purpose of transporting machinery, equipment, implements, farm products, supplies and or farm labor and are incidentally operated on or moved along public highways for the purpose of going from one farm to another. ([RCW 46.04.181](#))

Example: Sales tax does not apply to replacement parts for motor vehicles licensed with the Department of Licensing specifically for “farm use,” “farm exempt,” or “farm combination,” including farm tractors and farm implements, unless it is specifically excluded from the definition of farm machinery and equipment (as discussed below).

A “farm implement” is machinery or equipment that is manufactured, designed, or reconstructed for agricultural purposes and used primarily by an eligible farmer to grow, raise, or produce agricultural products, but does not include lawn tractors and all-terrain vehicles.

For the purposes of these exemptions, qualifying farm machinery and equipment does not include:

- Vehicles, except for those specifically noted above
- Lawn tractors
- All-terrain vehicles
- Aircraft
- Hand tools and hand powered tools; and
- Property with a useful life of less than one year

The purchase or use of the following items and services remain subject to retail sales or use tax, unless some other exemption applies:

- All machinery and equipment used in farming, including farm vehicles and other motor vehicles, tractors, and other farm implements;
- Parts for non qualifying farm machinery and equipment, including replacement parts for vehicles other than farm vehicles, farm tractors, and other farm implements;
- Other tangible personal property that does not meet the statutory definition of replacement parts, such as GPS equipment installed on a combine that did not previously have GPS equipment;
- Items that are specifically excluded from the statutory definition of replacement parts, such as paint, fuel, oil, grease, hydraulic fluids, antifreeze, and similar items, when purchased by a farmer for installation in qualifying or non-qualifying machinery or equipment. However, the purchase by a farmer of otherwise exempt installation or repair services remain exempt if the seller installs, incorporates, or places such items in qualifying farm machinery and equipment during the course of installing replacement parts or repairing the qualifying farm machinery and equipment;
- Installation services for items that do not qualify as replacement parts;
- Repair services for non-qualifying farm machinery or equipment; and
- Otherwise exempt installation or repair services included in a single transaction involving nonexempt services, if the charge for the otherwise exempt services is not separately itemized or exceeds the seller's usual and customary charge for such services.

References: [RCW 82.08.855](#)

Semen for use in the artificial insemination of livestock

Semen for use in the artificial insemination of livestock is exempt from retail sales and use taxes.

References: [RCW 82.08.0272](#) & [RCW 82.12.0267](#)

Warehouse and grain elevators and distribution centers

Wholesalers or third-party warehousers who own or operate warehouses or grain elevators and retailers who own or operate distribution centers, and who have paid sales or use tax on:

- Material-handling and racking equipment, and labor and services rendered in respect to installing, repairing, cleaning, altering, or improving the equipment; or
- Construction of a warehouse or grain elevator, including materials, and including service and labor costs, are eligible for an exemption from all or part of the state's portion of the sales tax in the form of a remittance.

A person claiming an exemption from state tax in the form of a remittance under this section must pay the sales tax. The buyer may then apply to the Department for a refund of all or part of the tax paid.

References: [RCW 82.08.820](#)

Additional resources

Additional resources

[Sales tax exemption matrix](#)

[Manufacturing guide](#)

[Wine industry guide](#)