



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

January, 2014

Sales of Propane and Natural Gas to Mint Growers

Background

Engrossed substitute senate bill (ESSB) 5882 (Chapter 13, Laws of 2013) Sections 1301 through 1303 provides sales and use tax exemptions for sales of propane and natural gas to mint growers for use in mint distillation.

Qualifying Purchases

In order for the purchase to be exempt from sales tax, the following criteria must be met:

- The buyer must be a farmer, and
- The propane or natural gas must be used exclusively for distilling mint on a farm

Farmer Defined

For purposes of this exemption, "Farmer" has the meaning given in RCW [82.04.213](#):

"Farmer" means any person engaged in the business of growing, raising, or producing, upon the person's own lands or upon the lands in which the person has a present right of possession, any agricultural product to be sold. "Farmer" does not include a person growing, raising, or producing such products for the person's own consumption; a person selling any animal or substance obtained therefrom in connection with the person's 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.

New Reporting Requirements for Buyers

This sales and use tax exemption is considered a new tax preference subject to additional reporting requirements.

Buyers must report the amount of tax preference received under the "Tax Preference" section of the Department's E-file tax return. When completing this section, buyers should select "Propane and Natural Gas by Mint Farmers" from the drop down list of exemptions and enter the purchase price paid on sales for which an exemption was claimed for that tax reporting period. This addendum must be completed in addition to a buyer's regular reporting responsibilities.

Buyers are not required to report the amount of preference received if:

- The tax benefit to a buyer is less than \$1,000 per year; or
- A business files an annual tax return with the Department.

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Sellers Making Tax-exempt Sales Under This Section of the Law Must:

- Obtain a completed [Farmer's Certificate for Wholesale Purchases and Sales Tax Exemptions](#) from the eligible farmer.
- Report their total gross sales on their return, and then deduct their exempt sales from their reported gross line provided on the E-file deduction detail page for this deduction.
- Keep the exemption certificate with the business records for five years after the date of the exempt sale.

Effective Dates

These sales and use tax exemptions take effect October 1, 2013, and expire July 1, 2017.

For More Information

Call our Telephone Information Center at 360-705-6705.