

SUPPORT HB 1220/SSB 5209

Clarifying the Hazardous Substance Tax Exemption on Crop Protection Products Involved in Interstate Commerce

Background-

- Current Washington law imposes a hazardous substance tax (HST) on certain materials¹ that are used as FIFRA crop protection products² brought into the state.
- Washington law currently exempts the tax when the crop protection products are only temporarily stored or possessed in the state in connection with interstate commerce.³
- But the exemption is not available to the agricultural industry because the products are brought into Washington for storage without an identified buyer. As a result, the inventory of FIFRA products in Washington has been reduced by more than 30%.

The Unintended Consequences-

- **Manufacturers now store less of their FIFRA products in Washington State.** This change in practice has reduced state and local tax revenues, rents and jobs, and increased fuel consumption and carbon emissions due to more transportation requirements when additional crop protection products are needed.
- **Critical crop protection products may not be as readily available to farmers.** Products are now being warehoused by the manufacturers in other states at a greater distance from the growing regions within Washington State. As a result, farmers may miss a window of opportunity to control pests and diseases thereby reducing yield and requiring more product at a greater cost.
- **Potential adverse environmental consequences may result.** If farmers are required to pre-order and take direct delivery of products for on-farm storage, there will be fewer crop protection products stored in-state in safe and secure commercial facilities that protect against spills, fires and other possible accidents.

Solution- To correct this problem, ***a narrow tax clarification is necessary to fulfill the original intent of the exemption*** so it will only apply to FIFRA crop protection products that are shipped into Washington, warehoused in Washington and ultimately shipped and sold out of Washington. **Products sold or used in Washington State will continue to pay the HST tax.**

¹ RCW 82.21.020(1)(c)

² As defined by the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA)

³ WAC 458-20-252(4)(e)(iv)