

# Hazardous Substance Tax Exemption for Pesticides Sold Out of State

2023 JLARC TAX PREFERENCE REVIEW

Estimated 2023-25 beneficiary savings: \$319,000

Hazardous Substance Tax

Applicable statute: RCW 82.21.040(5)

Expiration date: 1/1/2026

## Preference intended to keep pesticide storage businesses in WA and increase hazardous substance tax (HST) revenue

Preference is for **businesses that store and transport agricultural pesticides sold out of state**. The pesticides are exempt from HST.

2016 Legislature **anticipated that the preference would strengthen the state's position** as a regional agricultural distribution hub, increasing overall HST revenue.

The Legislature intends to **extend the preference if a review finds an increase in average HST revenue** from all products subject to the tax.

## In total, seven businesses have used the preference. Use is declining.

- **Five businesses** used the preference in 2017. **Three businesses** claimed it in 2022.
- Beneficiaries' hazardous substance tax declined.
- Reduced costs make **Washington a more competitive location** relative to Idaho and Oregon.

### Average savings for all beneficiaries:

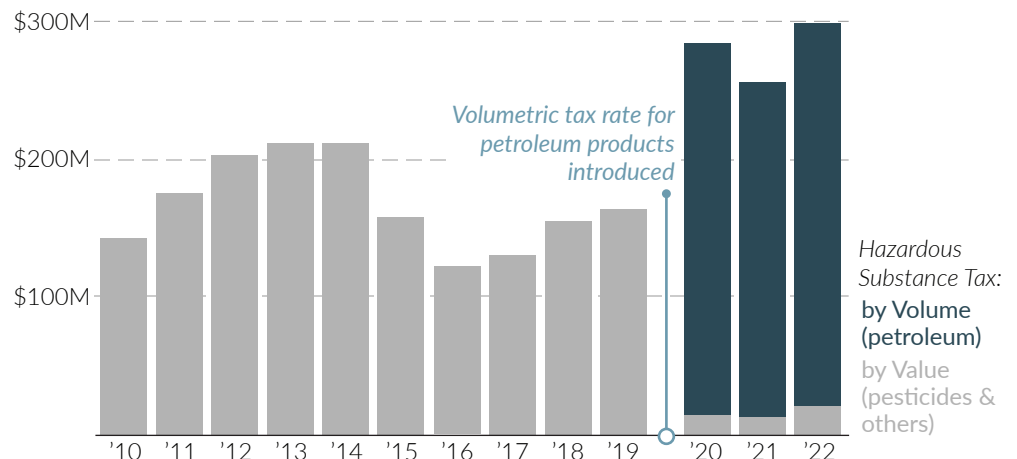
**\$305,000 per year**  
(2016-2022)

*Excludes savings from 2021 due to fewer than three beneficiaries claiming the preference.*

## Total HST revenue increased but preference likely had no effect

2019 Legislature changed the HST rate for liquid petroleum products from value-based to volumetric (i.e., per barrel).

Taxes on petroleum products accounted for **94% of total HST revenue** from 2020-22.



## LEGISLATIVE AUDITOR'S RECOMMENDATION

### Continue and modify

The preference improves industry competitiveness by providing tax relief to Washington businesses that store or transport pesticides sold out of state. In light of 2019 changes to the HST tax, the Legislature should **consider new metrics** to evaluate the preference or **recategorize it as one intended to provide tax relief**.

The complete report is on the JLARC web site: [www.leg.wa.gov/jlarc](http://www.leg.wa.gov/jlarc)

For more information, contact: Eric Thomas, Washington State Legislative Auditor  
eric.thomas@leg.wa.gov • (360) 786-5182

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