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**Finance Committee**

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**HB 3307**

**Brief Description:** Providing excise tax exemptions for log haulers.

**Sponsors:** Representatives Kessler, DeBolt, Haigh, Alexander, Sullivan, Skinner, Eddy, Priest, Blake, Bailey, VanDeWege, Kristiansen, Newhouse, Orcutt, Eickmeyer, McDonald, McCune, Conway, Campbell, Roach, Hurst, Kenney and Dunn.

**Brief Summary of Bill**

- Provides exemptions from business taxes for hauling of logs.

**Hearing Date:** 2/28/08

**Staff:** Don Taylor (786-7388).

**Background:**

Washington's principal tax on businesses is the state business and occupation (B&O) tax. The B&O tax applies to the gross receipts derived from engaging in business. Although the tax does not reflect the cost of doing business, there are a variety of exemptions, deductions, and other tax incentives permitted by law. Major tax rates are 0.484 percent for manufacturing and wholesaling; 0.471 percent for retailing, and 1.5 percent for services; several lower rates also apply to specific business activities. The B&O tax generates about 16 percent of all state tax collections; most of the receipts are deposited in the State General Fund.

The state public utility tax supplements the B&O tax, because it applies to a variety of public service activities which are exempt from B&O tax. Originally, most of these activities were subject to regulation by the state but that is no longer necessarily true. Principal activities covered by the tax are the provision of energy, communication services, and in-state transportation of goods and people. The tax produces about 2.0 percent of state tax revenue; most of the receipts are deposited in the State General Fund.

Hauling of logs upon public highways is subject to the public utility tax under the motor transportation classification; the applicable tax rate is 1.926 percent of the gross receipts derived

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from the haul. If the haul crosses the state's boundaries, then none of the receipts for the trip are subject to the public utility tax.

Hauling of logs exclusively on privately-owned roads is subject to B&O tax, rather than public utility tax. The applicable tax classification is the service category and the tax rate is 1.5 percent of gross receipts.

**Summary of Bill:**

Exemptions from the state B&O and public utility taxes are established for income derived from hauling of logs. In order to qualify, the log hauling vehicle must be licensed as a log-hauling vehicle and the logs must be processed within the state.

The exemptions expire at the end of Fiscal Year 2010.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on July 1, 2008.