

HOUSE BILL REPORT

HB 2119

As Reported By House Committee On:

Agriculture & Ecology

Title: An act relating to excise taxation of fruit and vegetables preserved by canning or other means.

Brief Description: Providing for the excise taxation of preserved fruit and vegetables.

Sponsors: Representatives Honeyford, Lisk, Morris, Chandler, Mastin, Grant, Delvin, Clements, Basich, Mulliken, Skinner, Kremen, Koster, Boldt, Goldsmith, McMorris, Johnson, Hymes, Thompson, Foreman, Hankins, Sheldon, Schoesler, Campbell, L. Thomas, Sheahan and Stevens.

Brief History:

Committee Activity:

Agriculture & Ecology: 1/22/96, 1/24/96 [DPS].

HOUSE COMMITTEE ON AGRICULTURE & ECOLOGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Chandler, Chairman; Koster, Vice Chairman; Chappell, Ranking Minority Member; Linville, Assistant Ranking Minority Member; Boldt; Clements; Delvin; Honeyford; Johnson; Mastin; Murray; Ogden; Regala; Robertson; Rust and Schoesler.

Staff: Bill Lynch (786-7092).

Background: The primary business and occupation (B&O) tax rate on manufacturing and on wholesale sales is 0.484 percent. For manufacturing, the rate is applied to the value of the products manufactured. For wholesale sales, the rate is applied to the gross proceeds of the sales.

There are a number of statutory exceptions to the primary rate. The B&O tax rate for persons engaged in manufacturing by canning, preserving, freezing, or dehydrating fresh fruits and vegetables is established at 0.33 percent. Persons who sell these same products at wholesale to a purchaser who transports the products outside the state are not taxed at this lower rate.

Summary of Substitute Bill: The B&O tax rate for persons selling at wholesale fresh fruits and vegetables that are canned, preserved, frozen, or dehydrated by the seller and sold to purchasers who transport the products out-of-state in the ordinary course of business is reduced to 0.33 percent.

The seller must provide a statement annually as proof of sale to a person who transfers the products out-of-state and must retain the statement as a business record.

Substitute Bill Compared to Original Bill: The seller must submit an annual statement as proof of sale rather than an affidavit. Other technical changes are made.

Appropriation: None.

Fiscal Note: Requested on January 24, 1996.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: This is in response to an audit by the Department of Revenue. Out-of-state sales should be taxed at the lower rate in order to be competitive in those markets. It shouldn't matter whose truck is moving the product. Even fractions of a cent on a tax rate are important in the food processing industry.

Testimony Against: None.

Testified: Rep. Honeyford, prime sponsor; Pete Plath, Independent Food Processors; Bill Fritz, Washington Food Processors Council; and Mike Schwisow, Washington State Potato Commission.