

HOUSE BILL REPORT

EHB 2853

As Passed House:

February 12, 1996

Title: An act relating to excise tax exemptions related to horses.

Brief Description: Providing excise tax exemptions related to horses.

Sponsors: Representative Boldt.

Brief History:

Committee Activity:

Finance: 2/5/96 [DP].

Floor Activity:

Passed House: 2/12/96, 57-39.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 9 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Boldt, Vice Chairman; Hymes; Mulliken; Pennington; Schoesler; Sheldon and Van Luven.

Minority Report: Do not pass. Signed by 3 members: Representatives Morris, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; and Mason.

Staff: Rick Peterson (786-7150).

Background: The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. The total rate is between 7 percent and 8.2 percent, depending on the location.

Farmers are exempt from sales tax on feed, seed, and fertilizer. This exemption is not available to some horse trainers/breeders because they do not fit the statutory definition of farmer. However, under Department of Revenue practice, the sales of feed for registered breeding horses is not subject to retail sales tax. Sales of feed for gelded horses are subject to sales tax.

Washington's major business tax is the business and occupation (B&O) tax. Although there are several different rates, the principal rates are

Manufacturing, wholesaling, & extracting - 0.506 percent

Retailing - 0.471 percent

Services:

- Selected business services - 2.0 percent
- Financial services - 1.6 percent
- Other activities - 1.83 percent

The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business.

B&O tax applies to the gross incomes of the participants in the horse industry. For example, some horse sales are subject to retailing B&O tax, horse owners pay B&O service tax on income from race purses and bonuses, horse owners pay B&O service tax on gross income from breeding activities, and income from boarding, training, exercising, riding, grooming, and shoeing horses is taxable under the B&O service rate.

Summary of Bill: Feed sold for horses is exempt from sales and use tax. Raising, breeding, or selling horses is exempt from B&O tax.

Appropriation: None.

Fiscal Note: Requested on February 5, 1996.

Effective Date: The bill takes effect on July 1, 1996.

Testimony For: None.

Testimony Against: None.

Testified: None.