

HOUSE BILL REPORT

HB 2505

As Reported By House Committee On:

Agriculture & Ecology
Finance

Title: An act relating to business and occupation tax on the handling of hay, alfalfa, or seed.

Brief Description: Lowering the business and occupation taxation of the handling of hay, alfalfa, or seed.

Sponsors: Representatives Mastin, Schoesler, Chandler, Mulliken, Sheahan and Boldt.

Brief History:

Committee Activity:

Agriculture & Ecology: 1/22/96, 1/24/96 [DPS];
Finance: 2/5/96 [DPS(AG)].

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.

When a grower bales hay, the Department of Revenue considers this to be part of the harvesting process. The department also considers the cubing of hay as part of the harvesting process when it is performed on the grower's land. A grower who sells hay at wholesale which was grown and cubed upon his or her own land is also exempt from the B&O tax. If the cubing of hay is performed away from the grower's land, it is considered by the department to be a manufacturing activity and the B&O tax applies. Sale of hay that is cubed away from the grower's property is not exempt

from the B&O tax because the hay is considered to be part of the manufacturing process. The harvesting process is considered to have ended once the hay leaves the grower's property.

There are a number of exceptions to the primary rate contained in statute. The B&O tax rate for wholesale sales of wheat, oats, dry peas, dry beans, lentils, triticale, corn, rye, and barley is established at a rate of 0.011 percent. This lower rate does not apply to wholesale sales of seed conditioned for sale or use in planting.

Summary of Substitute Bill: The bailing, compressing, or cubing of hay or alfalfa for sale or use as feed stock is excluded from the definition of manufacturing for purposes of imposing the business and occupation (B&O) tax.

The B&O tax rate for the wholesale sales of seed conditioned for sale or use in planting is lowered to 0.011 percent.

Substitute Bill Compared to Original Bill: A technical amendment is added to clarify that it is the wholesale sale of conditioned seed that is the taxable event rather than the conditioning of seed.

Appropriation: None.

Fiscal Note: Requested on January 22, 1996.

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

Testimony For: This restores the Legislature's original intent. This is necessary to allow an audit by the Department of Revenue.

Testimony Against: None.

Testified: Les Clemons, Washington Seed Council; and Tom Frick, Washington Association of Wheat Growers (in favor).

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill by Committee on Agriculture & Ecology be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Boldt, Vice Chairman; Morris, Ranking Minority Member; Hymes; Mulliken; Pennington; Schoesler; Sheldon and Van Luven.

Minority Report: Do not pass. Signed by 2 members: Representatives Dickerson, Assistant Ranking Minority Member; and Mason.

Staff: Cheri Keller (786-7093).

Summary of Recommendation of Committee on Finance Compared to Recommendation of Committee on Agriculture & Ecology: No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This bill is good for farmers.

Testimony Against: None.

Testified: Representative Dave Mastin, prime sponsor.