

SENATE BILL REPORT

SB 6382

As Reported By Senate Committee On:
Agriculture & Agricultural Trade & Development, January 30, 1996
Ways & Means, March 7, 1996

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: Senators Hochstatter, Rasmussen, Morton and Roach.

Brief History:

Committee Activity: Agriculture & Agricultural Trade & Development: 1/25/96, 1/30/96 [DPS].

Ways & Means: 3/7/96 [DP2S].

SENATE COMMITTEE ON AGRICULTURE & AGRICULTURAL TRADE & DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 6382 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rasmussen, Chair; Loveland, Vice Chair; A. Anderson, Bauer, Morton, Newhouse and Snyder.

Staff: Vic Moon (786-7469)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 6382 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Cantu, Finkbeiner, Hargrove, Hochstatter, Johnson, Long, McDonald, Moyer, Roach, Sheldon, Snyder, Spanel, Strannigan, Sutherland, West, Winsley and Wojahn.

Staff: David Schumacher (786-7474)

Background: Six years ago the Legislature addressed the process of conditioning seed for sale or use in planting. At that time, it was decided that conditioning of seed was not an activity that would constitute a general wholesale rate tax. There has been some confusion in the Department of Revenue concerning the rate of the tax imposed on seed conditioning. The tax statutory authority needs to be clarified.

Baling, compressing or cubing of hay or alfalfa for sale or use as feed stock is a common practice. Such practice is not manufacturing but has been interpreted as manufacturing by

some persons in the Department of Revenue. In order to clarify the statute, statutory authority needs to be changed.

Summary of Second Substitute Bill: Baling, compressing, cubing or processing of agricultural commodities for sale or use must not be considered manufacturing for the purpose of the state's business and occupation tax.

Conditioning seed for sale or use in planting in this state must be taxed at a rate of 0.011 percent of the gross wholesale price.

An exemption from sales and use tax on the sales of membership in discount programs, clubs or plans is provided which entitle the buyer the right to discounts on services or products.

Second Substitute Bill Compared to Substitute Bill: The substitute did not include the sales and use tax exemption for membership in discount programs.

Appropriation: None.

Fiscal Note: Requested on January 15, 1996.

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

Testimony For: The Department of Revenue's tax statutes need clarification for both seed conditioning and agricultural commodity processing.

Testimony Against: None.

Testified: PRO: Les Clemons, Washington Seed Council; Tom Frick, Assn. of Wheat Growers; Terry Hunt, Grange.