

HOUSE BILL REPORT

HB 1791

As Reported By House Committee On:

Agriculture & Ecology

Title: An act relating to the taxation of activities conducted for an agricultural commodity commission or board.

Brief Description: Exempting activities conducted for an agricultural commodity commission or board from business and occupation tax.

Sponsors: Representatives Mastin, Chandler, Linville, Grant, Clements, Mulliken, Koster, Boldt and Schoesler.

Brief History:

Committee Activity:

Agriculture & Ecology: 2/17/97, 2/27/97 [DPS].

HOUSE COMMITTEE ON AGRICULTURE & ECOLOGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Chandler, Chairman; Parlette, Vice Chairman; Schoesler, Vice Chairman; Linville, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; Cooper; Delvin; Koster; Mastin; Regala and Sump.

Staff: Kenneth Hirst (786-7105).

Background: Four of the types of activities upon which a business and occupation (B&O) tax is levied are manufacturing, selling at wholesale, selling at retail, and providing services. The base B&O tax rate on manufacturing and selling at wholesale is 0.484 percent. The base B&O tax rate retailers is 0.471 percent. The B&O tax on business service activities varies from a rate of 0.275 percent for international investment management services to 2 percent for general business services. The tax is on the gross income or gross proceeds of sales of the service. A surcharge of 4.5 percent times the base B&O tax rate for a number of activities is imposed until June 30, 1997.

Summary of Substitute Bill: The B&O tax laws do not apply to a nonprofit organization with respect to amounts received from an agricultural commodity board

or commission created under the Agricultural Enabling Act of 1955 or 1961, or directly by statute. To qualify for this B&O tax exemption, the organization must qualify for the federal income tax exemption provided for labor, agricultural, and horticultural organizations and must have the same objectives for which the commodity commission or board was formed.

Substitute Bill Compared to Original Bill: The original bill granted the exemption to any person receiving the monies from the commission or board for an activity approved by referendum and the referendum information specified the person as the one to conduct the activity. The substitute applies the exemption to nonprofit organizations with the same objectives as the commission or board.

Appropriation: None.

Fiscal Note: Requested on February 14, 1997.

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

Testimony For: (1) The promotional activities of the Hop Commission are conducted through the Hop Growers of America, an association made up of Washington, Idaho, and Oregon growers. The association is an extension of the commission. It contracts with a third party who does the promotional work for the commission and pays the B&O service tax. The association should not have to pay the tax too. (2) If the service tax were applied literally, the dairy farmers providing free ice cream at an open house event for an award winning dairy or dairy family would have to pay a B&O tax on the service.

Testimony Against: None.

Testified: Bernard Gamache and Sean McGree, Hop Growers of America; and Chris Cheney, Washington Dairy Federation (in favor).