

SENATE BILL REPORT

SB 5263

As Reported By Senate Committee On:
Agriculture & Rural Economic Development, February 22, 1999

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

Brief Description: Exempting horse training businesses from state taxes.

Sponsors: Senators Morton, West, McCaslin, Prentice, Rasmussen, Sellar, Swecker, Johnson, Patterson and Hale.

Brief History:

Committee Activity: Agriculture & Rural Economic Development: 2/15/99, 2/22/99 [DP-WM].

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Rasmussen, Chair; T. Sheldon, Vice Chair; Honeyford, Morton, Snyder and Swecker.

Staff: David Johnson (786-7754)

Background: The business and occupation (B&O) tax is levied on the gross proceeds of sale or the gross income of a business without any deduction for the cost of doing business. The B&O tax is paid by the seller.

The B&O tax rate varies depending on the classification of the activity. For example, the training or boarding of horses is considered a service and is subject to 1.5 percent rate. Other businesses that are engaged in wholesaling or retailing are subject to a lower rate.

The B&O tax is not applied to farmers who sell any agricultural product at wholesale but does apply to retail sales by farmers of agricultural products. For purposes of the B&O tax, agricultural product means any product of plant cultivation or animal husbandry, but does not include animals intended to be pets.

The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state sales 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 retail sales tax rate is between 7 percent and 8.6 percent, depending on the location.

Retail sale is defined to exclude the sale of feed, seed, or fertilizer to farmers for the producing for sale any agricultural product.

The retail sales tax does not apply to the purchase of feed for purebred livestock for breeding purposes where the animal is registered in a nationally recognized breeding association.

Thus, feed purchased for gelded or spayed horses technically is subject to the retail sales tax as is feed for non-registered horses.

Summary of Bill: Feed sold for all horses is exempt from the sales and use tax. The boarding, breeding, training, or selling of horses is exempt from the B&O tax.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 1999.

Testimony For: Horses were exempt until 1992 when a rule made them subject to tax. Current tax rules in this area are cumbersome and difficult to abide by. Very few comply with these taxes, putting honest vendors at a disadvantage.

Testimony Against: None.

Testified: PRO: Eddie Armstrong, Washington State Horse Council; Virginia Prigge, Washington State Horsemen; Daryl Asmussen, OK Livestock.