

SENATE BILL REPORT

SB 6834

As of February 8, 2000

Title: An act relating to the excise taxation of berry farmers.

Brief Description: Modifying the excise taxation of berry farmers.

Sponsors: Senators Gardner and Rasmussen.

Brief History:

Committee Activity: Ways & Means: 2/7/2000.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7433)

Background: The business and occupation tax (B&O) is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state. Currently, there are six different B&O tax rates. The three principal rates are:

Manufacturing, wholesaling	0.484%
Retailing	0.471%
Services	1.5%

The B&O tax does not apply to sales by farmers of agricultural products at wholesale or to the packing of agricultural products for farmers.

Sales of feed, seed, seedlings, fertilizer, agents for enhanced pollination including insects such as bees, and spray materials to farmers are exempt from sales and use taxes.

A farmer is a person engaged in the business of growing or producing, upon the person's own lands or upon the lands in which the person has a present right of possession, any agricultural product for sale. "Farmer" does not include a person using agricultural products as ingredients in a manufacturing process.

Manufacturing does not include the packing agricultural products, including sorting, washing, rinsing, grading, waxing, treating with fungicide, packaging, chilling, or placing in controlled atmospheric storage.

The freezing of berries by farmers is considered manufacturing and subjects the farmer to sales and use taxes on the items purchased to grow the berries.

Summary of Bill: Farmer is redefined to include a person using raspberries, strawberries, or blueberries grown or produced upon the person's own lands or upon the lands in which the person has a present right of possession in a manufacturing process.

Appropriation: None.

Fiscal Note: Requested on February 4, 2000.

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

Testimony For: Berry farmers in Whatcom County started to freeze berries to cut costs and to provide employment opportunities. They buy equipment to transport and bag the berries. It is like a big refrigerator. It is still agriculture with a manufacturing element. It should be exempt. This is important to berry farmers. It is difficult to keep the land in agriculture.

Testimony Against: None.

Testified: PRO: Senator Gardner, prime sponsor; Representative Ericksen, 42nd District.