

SENATE BILL REPORT

SB 5484

As Reported By Senate Committee On:
Ways & Means, March 6, 2001

Title: An act relating to taxation of businesses selling conifer seeds or growing seedlings.

Brief Description: Providing a limited sales tax exemption for certain sales of conifer seeds.

Sponsors: Senators Hargrove and Rasmussen.

Brief History:

Committee Activity: Ways & Means: 2/21/01, 3/6/01 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5484 be substituted therefor, and the substitute bill do pass.

Signed by Senators Brown, Chair; Constantine, Vice Chair; Fairley, Vice Chair; Hewitt, Honeyford, Kline, Kohl-Welles, Long, Parlette, Rasmussen, Regala, Rossi, Sheahan, B. Sheldon, Snyder, Spanel, Winsley and Zarelli.

Staff: Terry Wilson (786-7433)

Background: The sales tax is paid on each retail sale of most articles of tangible personal property and certain services. The use tax is imposed on the use of articles of tangible personal property when the sale or acquisition has not been subject to the sales tax. The use tax commonly applies to purchases made from out-of-state firms.

Major items exempt from tax include food for human consumption, prescription drugs, motor vehicle fuel, utility services, professional services (e.g. medical, legal), certain business services (e.g. accounting, engineering), and items that become a component part of another product for sale.

Also exempt from tax are sales that the state is prohibited from taxing under the state or federal constitutions or under the laws of the United States. This generally includes import/export sales, sales made in this state of items that are delivered outside the state, sales to the federal government, and sales to Indians.

Summary of Substitute Bill: Sales and use tax exemptions are provided for sales of conifer seed that are immediately placed into freezer storage operated by the seller and used to grow timber outside Washington or sold to an Indian tribe for growing timber in Indian country.

For a buyer of conifer seed engaged in growing timber both within and outside Washington, the buyer may defer payment of the sales tax until it is determined that the conifer seed, or seedlings germinated from the conifer seed, will be planted in Washington.

A buyer who pays tax on the purchase of conifer seed and subsequently determines that the sale qualifies for tax exemption is entitled to a deduction on the buyer's tax return equal to the cost to the buyer of the purchased seed.

The bill applies retroactively.

Substitute Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The company has been in business for over 100 years and has been audited periodically. This has not come up before. It is not taxed if sold out-of-state, and the practice has been not to send it out of state and have the buyers send it back. It makes sense to leave it in storage until it is needed because it is perishable. There should be no fiscal impact because the tax has not been collected before.

Testimony Against: None.

Testified: PRO: Senator Hargrove, prime sponsor; Michael Gerdes, Silvaseed Company.