

# SENATE BILL REPORT

## SB 5498

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As Reported By Senate Committee On:  
Agriculture & International Trade, February 16, 2001

**Title:** An act relating to providing farmers with sales and use tax exemptions for propane and wood shavings used in the raising of chickens.

**Brief Description:** Providing farmers with sales and use tax exemptions for propane and wood shavings.

**Sponsors:** Senators Rasmussen, Swecker and Honeyford.

**Brief History:**

**Committee Activity:** Agriculture & International Trade: 2/2/01, 2/16/01 [DP-WM].

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### SENATE COMMITTEE ON AGRICULTURE & INTERNATIONAL TRADE

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

Signed by Senators Rasmussen, Chair; Shin, Vice Chair; Parlette, Sheahan, Snyder and Swecker.

**Staff:** David Johnson (786-7754)

**Background:** Chicken farmers who heat their chicken housing structures with bottled propane must pay sales or use tax on the propane, which averages about 8 percent. Those who are able to utilize piped natural gas must pay utility tax of 3.852 percent. Chicken farmers must also pay sales or use tax on bedding materials.

Many other chicken producing states do not tax the sale or use of propane, natural gas, or bedding materials in chicken production. Some feel that this puts Washington farmers at a competitive disadvantage.

**Summary of Bill:** Propane and natural gas sales that are used exclusively to heat housing for chickens to be sold as agricultural products are exempt from sales and uses taxation. The buyer must provide certification to the seller that the sale qualifies for this exemption.

Sales of bedding materials for chickens to be sold as agricultural products are exempt from sales and use taxes.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** Costs are increasing for chicken producers. The cost of propane has doubled in the last year. About 32 percent of the producer's budget goes to propane and bedding. The barn must be heated to between 70 and 95 depending on the chicken's lifestage. Other direct inputs to agriculture aren't taxed (such as feed, seed, and fertilizer). Other chicken producing states (such as California and the southeast) have removed tax from these inputs.

**Testimony Against:** None.

**Testified:** Fred Colvin; Linda Johnson, Farm Bureau; Chris Cheney, Washington Fryer Commission; Mike Kayser, fryer grower.