

SENATE BILL REPORT

SB 5696

As Reported By Senate Committee On:
Agriculture & International Trade, February 21, 2001

Title: An act relating to providing a tax rate for manufacturers of dairy products comparable to other processors of agricultural commodities.

Brief Description: Providing a tax rate for manufacturers of dairy products comparable to other processors of agricultural commodities.

Sponsors: Senators Rasmussen, Honeyford, Kastama, T. Sheldon, Sheahan, Morton, Prentice, Spanel, Jacobsen and Stevens.

Brief History:

Committee Activity: Agriculture & International Trade: 2/16/01, 2/21/01 [DP-WM].

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: Bob Lee (786-7404)

Background: The value of Washington milk production in 1999 was \$825 million of which 77 percent is estimated to be used in the manufacture of dairy products.

The general business and occupation tax rate for manufacturing of products including dairy products is 0.484 percent. However, there are a number of food products that have a tax rate of 0.138 percent, including processing of fruits and vegetables, manufacturing uncooked seafood products, processing wheat into flour, processing soybeans into oil, and processing perishable meat products.

Revenues from the business and occupation tax are deposited in the state general fund.

Summary of Bill: The rate of the business and occupation tax on manufacturing dairy products and dairy by-products such as whey and casein, or selling the same to a purchaser who transports the products out of state is reduced from the current 0.484 percent to 0.138 percent.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on August 1, 2001.

Testimony For: Food processing is a high volume and low margin business. The dairy processing industry is subject to a B&O tax rate of 0.484 while most other food processing industries have a tax rate of 0.138. This legislation is needed to provide equity for the dairy processing industry with other food processing industries. Also, other states assess taxes on net income instead of gross income. This bill is needed to keep Washington's dairy processing industry competitive with the same industry in other states.

Testimony Against: None.

Testified: PRO: Doug Marshall, Sharon Appelt, West Farm Foods; Mike Schwisow, WA-OR Milk Processors Assn.