
Finance Committee

HB 1823

Brief Description: Extending the expiration date of tax preferences for food processing.

Sponsors: Representatives Nealey, Springer, Chandler, Blake, Buys, Lytton, Walsh, Orcutt, Dent, Schmick and Condotta; by request of Office of Financial Management.

Brief Summary of Bill

- Extends the expiration date for food processor tax preferences from 2015 to 2025.
- Specifies the specific public policy objectives of the tax preferences and the metrics used to determine their efficacy in achieving the stated public policy objectives.

Hearing Date: 2/13/15

Staff: Jeffrey Mitchell (786-7139).

Background:

Food Processor Tax Preferences.

Manufacturers of fresh fruit or vegetables, seafood products, and dairy products are eligible for exemptions from business and occupation (B&O) tax.

The B&O tax exemptions provide an exemption from the manufacturing B&O tax on the value of products sold by fresh fruit or vegetable, seafood product, or dairy product manufacturers; and, generally, an exemption from retailing and wholesaling B&O tax for those products manufactured and sold by the manufacturer to a customer who transports the product outside this state in the normal course of business.

These exemptions expire June 30, 2015. When they expire, the income is no longer exempt from B&O tax but will become subject to a reduced B&O tax rate of 0.138 percent for the manufacturing, retailing, and wholesaling activities. All businesses claiming the exemptions are

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required to electronically file an Annual Tax Incentive Survey by April 30 of the year following the year the exemption was claimed. The Annual Survey provides employment and wage information regarding firms claiming the exemptions and also provides the tax savings to individual firms from claiming the exemptions.

Tax Preferences.

In 2013 the Legislature passed Chapter 13, Laws of 2013, 2nd sp.s. (ESSB 5882), which requires all new tax preference legislation to include a tax preference performance statement. Tax preferences include deductions, exemptions, preferential tax rates, and tax credits. The performance statement must clearly specify the public policy objectives of the tax preference, and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee to evaluate the efficacy of the tax preference. Engrossed Substitute Senate Bill 5882 also establishes an automatic 10-year expiration date for new tax preferences if an alternate expiration date is not provided in the new tax preference legislation.

Summary of Bill:

The B&O tax exemptions for food processors are extended from July 1, 2015, to July 1, 2025.

A tax preference performance statement is included. The stated public policy objectives of the bill are to create and retain jobs in the food processing industry and to provide tax relief.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2015.