

ANALYSIS OF HB 2479

House Agriculture & Ecology Committee

January 28, 1998

BACKGROUND:

Sales of feed, seed, seedlings, fertilizer, pollination agents, and spray materials sold to farmers for the purpose of producing an agricultural product for sale or to persons who are participating in the federal Conservation Reserve Program or certain habitat programs are exempt from retail sales or use taxation. (RCW 82.04.050(7).) The rules of the Department of Revenue indicate that persons making these sales to farmers are generally subject to the Business and Occupation (B&O) tax:

Persons making sales of tangible personal property or services to farmers are generally subject to the business and occupation tax thereon. . . . Persons who make sales at wholesale are subject to the wholesaling B&O tax upon the gross proceeds from such sales The following are examples of sales at wholesale:

. . . .
(ii) Sales to farmers of feed, seed, fertilizer, spray materials, and agents for enhanced pollination, including insects such as bees, for the purpose of producing an agricultural product for wholesale or retail sale. However, wholesale sales of certain unprocessed grain and legumes to farmers for use as feed may be taxable at a lower rate under the wholesaling wheat, oats, corn, barley, dry peas, dry beans, lentils, triticale B&O tax classification. . . . - (WAC 458-20-122(3). Cross references excluded.)

SUMMARY:

Sales of substances used to optimize animal production, vaccinations, antibiotics, parasite treatment compounds, and other health products for animals are exempt from retail sales or use taxation when the sales are made to:

- farmers for the purpose of producing an agricultural product for sale;*
- farmers acting under cooperative habitat development or access contracts with an organization exempt from federal income tax or the state's Department of Fish and Wildlife to produce or improve wildlife habitat on land that the farmer owns or leases;*
- or*
- persons who participate in the federal Conservation Reserve Program, environmental quality incentives program, wetlands reserve program, and the wildlife habitat incentives program.*

Effective Date: *The bill takes effect on July 1, 1998.*