

SENATE BILL REPORT

SB 5431

As Reported By Senate Committee On:
Agriculture & Rural Economic Development, January 29, 2007
Ways & Means, March 5, 2007

Title: An act relating to a state public utility tax deduction for certain transportation activities with respect to agricultural commodities.

Brief Description: Creating a public utility tax deduction for the transportation of agricultural commodities.

Sponsors: Senators Rasmussen, Schoesler, Jacobsen, Parlette, Hatfield and Shin.

Brief History:

Committee Activity: Agriculture & Rural Economic Development: 1/29/07 [DP].
Ways & Means: 2/6/07, 3/05/07 [DP].

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

Majority Report: Do pass.

Signed by Senators Rasmussen, Chair; Hatfield, Vice Chair; Schoesler, Ranking Minority Member; Jacobsen, Morton and Shin.

Staff: Sam Thompson (786-7413)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Zarelli, Ranking Minority Member; Brandland, Carrell, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Dean Carlson (786-7705)

Background: The Public Utility Tax (PUT) is a tax on public service businesses, including businesses engaging in transportation. The tax is in lieu of the business and occupation (B&O) tax. The PUT is imposed at different rates, depending on specific activities.

Under current law, the transportation of agricultural commodities to a storage facility, when such commodities are destined to a point outside the state, is exempt from the public utility tax. However, any intervening transportation of the agricultural commodity from the storage facility to another storage facility is subject to the public utility tax.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill: A PUT deduction is provided for amounts derived from transporting agricultural commodities from points of origin in Washington to interim storage facilities in the state. The commodities must be destined for shipment, without intervening transportation, to an export elevator, wharf, dock, or ship for shipment by vessel to other states or foreign destinations. If the agricultural commodities are shipped from interim storage facilities in Washington to storage facilities at a port, the same agricultural commodity dealer must operate both facilities.

Persons claiming the deduction must obtain a certificate from agricultural commodity dealers operating the interim storage facilities. The certificate must certify that:

- More than 96 percent of all of the type of commodity delivered by the person claiming the deduction and by all other persons to the dealer's facilities during the preceding year was shipped by vessel in original form to other states or foreign destinations.
- Any of the commodity shipped to ports on tidewater or navigable tributaries will go to facilities operated by the same dealer and will be shipped, without intervening transportation, by vessel, in their original form, to other states or foreign destinations.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony (Agriculture & Rural Economic Development):

PRO: This bill clarifies existing law to ensure that a PUT deduction for hauling of grain for export remains in effect. PUT on this activity isn't being collected now due to a longstanding Department of Revenue interpretation of applicable law. However, the Department has recently reviewed the law and now believes that the interpretation isn't supported by current language.

Persons Testifying (Agriculture & Rural Economic Development): PRO: Drew Shirk, Department of Revenue; Heather Hansen, Washington Association of Wheat Growers.

Staff Summary of Public Testimony (Ways & Means): PRO: This bill would provide statutory exemption for the intervening haul for agricultural products heading for export. The bill would continue current practice. There is really no balance sheet effect as this tax has not been collected.

Persons Testifying (Ways & Means): PRO: Drew Shirk, Department of Revenue; Heather Hansen, Washington Association of Wheat Growers.