

# SENATE BILL REPORT

## SB 5641

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As Reported By Senate Committee On:  
Agriculture & Rural Economic Development, February 5, 2007  
Ways & Means, February 21, 2007

**Title:** An act relating to exempting wholesale sales of unprocessed milk for processing from business and occupation tax.

**Brief Description:** Exempting wholesale sales of bulk unprocessed milk from the business and occupation tax.

**Sponsors:** Senators Rasmussen, Honeyford, Schoesler, Prentice, Delvin and Holmquist.

**Brief History:**

**Committee Activity:** Agriculture & Rural Economic Development: 2/05/07 [DP-WM].  
Ways & Means: 2/13/07, 2/21/07 [DP].

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### SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

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

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

**Staff:** Sam Thompson (786-7413)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

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

**Staff:** Dianne Criswell (786-7433)

**Background:** The state business & occupation (B&O) tax is levied on the gross receipts of many business activities conducted within the state. The B&O tax rate applying to wholesaling activities is 0.484 percent. Amounts received from wholesale buying and selling of wheat, oats, dry peas, dry beans, lentils, triticale, canola, corn, rye, and barley are exempt from the B&O tax. It is suggested that this exemption be extended to include unprocessed milk.

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*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:** Wholesale sales of unprocessed milk are exempted from the state B&O tax.

**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: The current B&O tax exemption for wholesaling of unprocessed agricultural commodities should be extended to unprocessed milk. This legislation would benefit cooperatives like Darigold that collect and wholesale their members' unprocessed milk.

**Persons Testifying (Agriculture & Rural Economic Development):** PRO: Dan Coyne, Northwest Dairy Association.

**Staff Summary of Public Testimony (Ways & Means):** PRO: Dairygold does not wholesale very much unprocessed milk. However, the administrative burden of accounting and reporting income for those sales is great, in comparison to Darigold's small B&O tax liability from these sales. Extending the same B&O tax exemption to wholesaling of unprocessed milk, as is available for other unprocessed agricultural commodities, would benefit the dairy industry in Washington.

**Persons Testifying (Ways & Means):** PRO: Sharon Appelt, Darigold.