

# SENATE BILL REPORT

## SB 6055

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As Reported By Senate Committee On:  
Agriculture & Rural Economic Development, February 27, 2007

**Title:** An act relating to extending the expiration date for the tax deduction for certain businesses impacted by the ban on American beef products.

**Brief Description:** Extending the expiration date for the tax deduction for certain businesses impacted by the ban on American beef products.

**Sponsors:** Senators Hewitt, Shin, Stevens, Schoesler, Rasmussen, Sheldon, Roach and Holmquist.

**Brief History:**

**Committee Activity:** Agriculture & Rural Economic Development: 2/22/07, 2/27/07 [DPS-WM].

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### SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

**Majority Report:** That Substitute Senate Bill No. 6055 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

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

**Staff:** Bob Lee (786-7404)

**Background:** Historically, the business and occupation (B&O) tax rate for meat processing was 0.138 percent. On December 23, 2003, a Washington cow that had been imported from Canada tested positive for Bovine Spongiform Encephalopathy (BSE). Immediately thereafter, several countries, including Japan, Mexico, and the Republic of Korea, banned the import of U.S. beef. These three countries represented over 80 percent of U.S. beef exports.

During the 2004 Session, the Legislature enacted SHB 2929 that provided a deduction for slaughtering of beef that is sold at wholesale. This deduction was available until Japan, Mexico, and the Republic of Korea all lifted import bans on beef and beef products from the United States. The deduction was set to terminate on the first day of the month following the date on which the bans by the three countries had all been lifted.

During the 2005 Session, HB 1407 was enacted. Though this bill retained the provision that the deduction would terminate the first day of the month following the date on which the bans by all three countries had been lifted, the statute was set to expire effective on December 31,

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2007. The effect was that the deduction would be discontinued at the earlier of: (1) the date that all three countries had lifted their import bans; or (2) December 31, 2007.

**Summary of Bill:** The expiration date for the statute is extended from the current expiration date of December 31, 2007, to December 31, 2012. Thus, the deduction from the 0.138 percent B&O tax for meat processing sold at wholesale would be discontinued at the earlier of: (1) the date that all three countries have lifted their import bans; or (2) December 31, 2012.

**EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Agriculture & Rural Economic Development):** The deduction from the B&O tax applies only to cattle born and raised in the United States.

**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:** PRO: The tax deduction has helped to offset the increase in costs of complying with federal regulations that have come into place since the BSE incident. There weren't enough cattle to run the plant at capacity when the U.S. embargoed cattle shipments from Canada. Then, when the BSE animal was found in December 2003 in Washington State, foreign markets were lost for U.S. beef and most of those markets have not recovered. The majority of cattle being processed right now at the Pasco plant are from the U.S. If the plant was limited to only U.S. beef, there wouldn't be enough supply available to keep the plant operating.

**Persons Testifying:** PRO: Senator Hewitt, prime sponsor; Jim Zimmerman, Ray McGaugh, Tyson Inc.; Jim Jesernig, Agribeeff; Jack Field, Washington Cattlemen's Association.