

SENATE BILL REPORT

SB 5947

As of May 9, 2011

Title: An act relating to repealing certain tax exemptions to provide funding for essential government services.

Brief Description: Repealing certain tax exemptions to provide funding for essential government services.

Sponsors: Senators Eide, Conway, Kohl-Welles, Rockefeller, Ranker, Shin, Nelson, White, Murray, Kline and Chase.

Brief History:

Committee Activity: Ways & Means: 5/04/11.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dianne Criswell (786-7433)

Background: The sales tax is imposed by the state, counties, and cities on retail sales of most items of tangible personal property, digital products, and some services including construction and repair services. If retail sales taxes were not collected when the property, digital products, or services were acquired by the user, then use taxes apply to the value of most tangible personal property and digital products and some services when used in this state. Use tax rates are the same as retail sales tax rates. The state sales rate is 6.5 percent and the local rates vary by location. The state sales and use tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 3.0 percent, depending on the location. The combined state/local rate is between 7 and 9.5 percent, depending on location.

The Legislature has authorized exemptions from the retail sales and use taxes for different types activities, including certain types of sales to agricultural producers. Under current law, there are retail sales and use tax exemptions for the following: (1) sales to ranchers of semen used for artificial insemination of livestock; (2) sales to farmers of propane or natural gas exclusively used to heat structures that house chickens that are sold as agricultural products; and (3) sales of bedding materials to farmers who raise chickens for sale as agricultural products.

Summary of Bill: The bill as referred to committee not considered.

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 (Proposed Substitute): The retail sales and use tax exemptions for semen used for artificial insemination of livestock, sales of propane or natural gas exclusively used to heat structures that house, and sales of bedding materials to farmers who raise chickens are repealed.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on May 2, 2011.
[OFM requested ten-year cost projection pursuant to I-960.]

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: These are unprecedented times. It is time to reprioritize the state budget. This is not the time to continue to give away the farm. Instead, we should help kids and seniors at a time when we care cutting to the bone. By repealing these exemptions, we could pay for child healthcare, education, or glasses and hearing aids for low-income seniors. We cannot solve the problems we have with cuts alone. Tax breaks are spending. Glasses and hearing aids for some make independent living possible. Do we want to be a country who helps all people or just those whose businesses depend on tax breaks? Reduction in hours of care impacts our citizens, both those receiving services and those employed as caregivers. We have to find the money somewhere for our seniors and disabled.

CON: This negatively affects our state economy and agricultural producers. Now is the time to support agriculture. It is an econ engine for revenue and jobs. Profit margins on family farms are shrinking. This hurts farmer viability. Farmers are price takers, not price makers. 5947 would harm the beef, dairy, and poultry industries. These are input costs and should not be taxed as other industries', inputs are not taxed. Washington has more than 500 tax exemptions to create or retain jobs in Washington State and were approved by both chambers and by the Governor. The uncertain economy is a bad time to consider removing exemptions. We need jobs. Tax exemptions work. I worked the bill when these preferences for agricultural producers raising chickens were enacted. This tax preference should be reviewed, because a review would show that farmer inputs should not be taxed. It is not fair that farmers and ranchers should pay sales and use tax on these items, but consumers who buy our products do not pay the sales tax. This will put agricultural producers out of business. These are important exemptions for agricultural producers, and the bill cherry picks these out of the many other sales and use tax exemptions. Don't tax inputs. If semen isn't an input, I don't know what is. Artificial insemination has greatly improved our herds. This would create an unfair playing field, because surrounding jurisdictions do not tax these activities. The result would be to have more imported products. Agriculture should be treated no differently than other manufacturing inputs, which are not subject to sales tax. Consider the jobs that have been created by these activities. Keeping these exemptions in place keeps a fair playing field with other manufacturers and producers. This negatively impacts the agricultural sector of the economy, especially in Eastern Washington. If we want to change the general tax policy regarding manufacturing inputs, we need to look at this issue more broadly.

Persons Testifying: PRO: Senator Eide, prime sponsor; Nick Federici, Protecting our Economic Future Coalition; Hannah Lidman, League of Education Supporters; Ramona Hattendorf, Washington State Parent Teacher Association; Emily Rogers, Self Advocates in Leadership; Shawn Lathram, Washington State Developmental Disability Council; Pamela McLarty, Nicki Johnsson, SEIU.

CON: Scott Dilley, Washington Farm Bureau; Gary Chandler, Association of Washington Business; Mike Kayser, citizen; Jack Field, Washington Cattlemen's Association; Jim Halmstrom, WA State Horticultural Association; Heather Hansen, Cattle Producers of Washington.