

SENATE BILL REPORT

SB 6571

As Reported by Senate Committee On:
Agriculture, Water, Natural Resources & Parks, February 1, 2018

Title: An act relating to providing a sales and use tax exemption for agricultural education students.

Brief Description: Providing a sales and use tax exemption for agricultural education students.

Sponsors: Senators Warnick, Takko, Wellman, Short, Becker, Brown, Bailey, Wagoner, Palumbo, King, Ericksen, Padden and Zeiger.

Brief History:

Committee Activity: Agriculture, Water, Natural Resources & Parks: 2/01/18 [DPS-WM].

Brief Summary of First Substitute Bill

- Provides a sales tax exemption for livestock, feed, veterinary services, medicines, and supplies purchased by an agricultural education student to be used in conjunction with a junior livestock show

SENATE COMMITTEE ON AGRICULTURE, WATER, NATURAL RESOURCES & PARKS

Majority Report: That Substitute Senate Bill No. 6571 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Van De Wege, Chair; McCoy, Vice Chair; Warnick, Ranking Member; Honeyford and Nelson.

Staff: Karen Epps (786-7424)

Background: Retail Sales and Use Tax. Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital product, or service, then use taxes apply to the value of property, digital product, or service when used in this state. The state, most cities, and all counties levy retail sales and use taxes. The state sales

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and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 to 3.1 percent, depending on the location.

Tax Preferences. Washington has over 650 tax preferences authorized in law. A tax preference includes exemptions, deductions, credits, and preferential rates. Currently, the agricultural industry has tax preferences for the retail sales and use tax, business & occupation tax, and property tax.

Tax Preference Performance Statement and Expiration Date. All new tax preference legislation must include a tax preference performance statement. Tax preferences include deductions, exemptions, preferential tax rates, and tax credits. The performance statement must clearly specify the public policy objectives of the tax preference, and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee to evaluate the efficacy of the tax preference. New tax preferences expire ten years after the effective date of the tax preference, unless otherwise provided.

Summary of Bill (First Substitute): A sales tax exemption is provided for livestock, feed, veterinary services, medicines, and supplies purchased by an agricultural education student to be used in conjunction with a junior livestock show. The exemption also applies to labor or services purchased by an agricultural education student to be used in conjunction with a junior livestock show.

An agricultural education student is a person under 21 years of age who is an active member of a student agricultural education organization. A student agricultural education organization means a nonprofit organization that provides instructional programs in agricultural education to prepare students for a wide range of careers in agriculture, agribusiness, or other agriculture-related occupations.

The sales tax exemption for livestock, feed, veterinary services, medicines, and supplies purchased by an agricultural education student to be used in conjunction with a junior livestock show is exempt from existing tax preference performance statement and expiration date provisions.

EFFECT OF CHANGES MADE BY AGRICULTURE, WATER, NATURAL RESOURCES & PARKS COMMITTEE (First Substitute):

- Adds an effective date of July 1, 2018.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: This bill was brought by a student

who participates in FFA. Many times an FFA student does not have the ability to take advantage of the current agricultural exemptions because their parents are not in the agricultural industry, they do not live on a farm, or they live on a farm but are not in the industry. The bill provides a sales tax exemption for agricultural education students. Students get a hands-on experience in raising and showing livestock. Students are doing this because it is their passion, but it is expensive. This bill will ease the costs for the students. As an example, raising a steer last year cost one student \$3,000 and the steer was sold for \$2,437. Raising an animal teaches students many valuable skills including time management, budget management, responsibility, and the need to put the animal's needs first. Passing this bill will help make it more affordable for students to show livestock and hopefully increase the participation of showing livestock. Some students are prevented from showing animals because of the expense. The skills that students learn in showing animals is amazing, including responsibility and record keeping skills.

Persons Testifying: PRO: Senator Judy Warnick, Prime Sponsor; Jim Kowalkowski, Davenport School District and Rural Education Center; Hannah Warwick, FFA.

Persons Signed In To Testify But Not Testifying: No one.