

FINAL BILL REPORT

HB 2480

PARTIAL VETO

C 167 L 94

Brief Description: Relating to the taxation of manufacturers of fish products.

By Representatives G. Fisher and Foreman; by request of Department of Revenue.

House Committee on Revenue

Senate Committee on Ways & Means

Background: To provide fair treatment to businesses that operate both in other states and in Washington, Washington provides a credit against the Washington business and occupation tax (B&O) for similar taxes paid in the other states. For example, if a business manufactured a product in another state and sold the product in Washington, the taxpayer may owe a B&O type tax to the state where the manufacturing took place and B&O tax to Washington where the selling activity took place. Washington allows a credit against the selling tax for the manufacturing tax paid to the other state. In this way, only one tax applies to the manufacturing and selling activity. This same treatment applies when the manufacturing and the selling both take place in Washington.

The Department of Revenue has decided that a taxpayer may take a tax credit against Washington's B&O tax based on an Alaska B&O type tax paid on certain fish processing activity in Alaska. The activity is the gutting of salmon, removing the head, tail and fins, and freezing the "whole" salmon. Taxpayers are permitted to credit payments of the Alaska tax against Washington's B&O tax upon selling the salmon in Washington. However, the department does not consider this fish processing activity to be a manufacturing activity. Therefore, if this activity is done out-of-state, it is considered manufacturing and eligible for a tax credit. If the activity is done in state, it is not considered manufacturing.

Cities and counties are authorized to issue permits for a variety of activities. These local governments may charge fees for issuing the permits.

Summary: An exemption from the manufacturing tax is provided when fish are gutted, and heads, tails and fins are

removed. (The wholesaling or retailing tax continues to apply when the fish are sold in Washington.)

Local governments are prohibited from charging permit fees for fish enhancement projects that are proposed by state agencies, cooperative groups, and regional fisheries enhancement groups.

Votes on Final Passage:

House	95	0	
Senate	47	0	(Senate amended)
House			(House refused to concur)

Conference Committee

Senate	45	0
House	95	0

Effective: March 30, 1994

Partial Veto Summary: The provision prohibiting local governments from charging permit fees for fish enhancement projects is vetoed.