

SENATE BILL REPORT

SB 5850

AS REPORTED BY COMMITTEE ON WAYS & MEANS, MARCH 8, 1993

Brief Description: Clarifying definitions relating to farmers.

SPONSORS: Senators M. Rasmussen, Loveland and Barr

SENATE COMMITTEE ON AGRICULTURE

Majority Report: That Substitute Senate Bill No. 5850 be substituted therefor, and the substitute bill do pass.

Signed by Senators M. Rasmussen, Chairman; Loveland, Vice Chairman; Anderson, Barr, Bauer, Newhouse, and Snyder.

Staff: John Stuhlmiller (786-7446)

Hearing Dates: February 25, 1993

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5850 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Rinehart, Chairman; Spanel, Vice Chairman; Bauer, Bluechel, Cantu, Gaspard, Hargrove, Hochstatter, Jesernig, McDonald, Moyer, Niemi, Pelz, Quigley, Roach, L. Smith, Sutherland, West, Williams, and Wojahn.

Staff: Terry Wilson (786-7715)

Hearing Dates: March 8, 1993

BACKGROUND:

Currently the feed, seed, seedlings, fertilizer, and spray materials sold to farmers are exempt from the sales and use tax when the products are used to grow any agricultural product for sale at wholesale.

Concern has been expressed over the Department of Revenue's recent interpretation of this exemption. The new interpretation disallows the sales tax exemption on inputs if a product is sold at retail.

SUMMARY:

A statutory definition of farmer is created within the agricultural statutes.

The sales and use tax exemption for farmers is modified to clearly exempt farmers who sell their products at wholesale or

retail, as long as the farmer does not sell products exclusively at retail.

EFFECT OF PROPOSED SUBSTITUTE:

Farmers are exempt from the sales tax on inputs regardless of how they sell their products.

EFFECT OF PROPOSED SECOND SUBSTITUTE:

Farmers are not exempt from B&O tax on their retail sales.

Appropriation: none

Revenue: none

Fiscal Note: requested

TESTIMONY FOR (Agriculture):

Virtually all farmers sell some products at retail and the impact could be devastating on an already struggling agricultural industry if the Department of Revenue's interpretation is implemented.

TESTIMONY AGAINST (Agriculture): None

TESTIFIED (Agriculture): PRO: Bill Roberts, Washington State Farm Bureau; George Mastrodonato, attorney, Farm Bureau; Wisten Aldrich, farmer; Larry Silk, farmer, Barron Turf; Bruce Briggs, Washington State Nurserymen, Western Washington Horticulture Association

TESTIMONY FOR (Ways & Means):

The problem resulted from a recent interpretation by the Department of Revenue.

TESTIMONY AGAINST (Ways & Means): None

TESTIFIED (Ways & Means): Senator Rasmussen, sponsor (pro); Bill Roberts, Washington State Farm Bureau (pro); George Mastrodonato, Lane Powell Spears Lubersky (pro); Greg Hanon, Washington Christmas Tree Growers (pro)