

HOUSE BILL REPORT

HB 1057

As Reported By House Committee On:

Agriculture & Ecology
Finance

Title: An act relating to changing the tax rates for canola.

Brief Description: Lowering the tax rate on canola.

Sponsors: Representatives Schoesler, Morris, B. Thomas, Delvin, Carlson, Hankins, Dyer, Sheldon, Casada, Chandler, L. Thomas, Fuhrman, Mulliken, Lisk, Cooke, Sheahan and Mastin.

Brief History:

Committee Activity:

Agriculture & Ecology: 1/23/95, 2/1/95 [DPS];
Finance: 2/8/95, 2/16/95 [DPS(AG)].

HOUSE COMMITTEE ON AGRICULTURE & ECOLOGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 17 members: Representatives Chandler, Chair; Koster, Vice Chair; McMorris, Vice Chair; Mastin, Ranking Minority Member; Chappell, Assistant Ranking Minority Member; Boldt; Clements; Delvin; R. Fisher; Honeyford; Johnson; Kremen; Poulsen; Regala; Robertson; Rust and Schoesler.

Staff: Kenneth Hirst (786-7105).

Background: The primary business and occupation (B&O) tax rate on manufacturing and on wholesale sales is 0.484 percent. For manufacturing, the rate is applied to the value of the products manufactured. Until June 30, 1997, this rate is increased by a surcharge of 4.5 percent multiplied by the primary rate. As increased by the surcharge, the rate is 0.50578 percent. The surcharge statute permits the Department of Revenue to round the surcharged rates to the nearest one-thousandth of one percent, which it has done in the tax schedules published to date. As rounded off, the rate is 0.506 percent.

A number of exceptions to this primary rate are provided by statute. The B&O tax rate for the wholesale sale of wheat, oats, dry peas, dry beans, lentils, triticale, corn, rye, and barley is 0.011 percent. Although the surcharge also applies to this special

rate until June 30, 1997, the rate remains 0.011 percent as rounded off. The B&O tax rate for manufacturing wheat into flour, barley into pearl barley, soybeans into soybean oil, and sunflower seeds into sunflower oil is 0.138 percent. As increased by the surcharge, the rounded off rate is 0.144 percent until June 30, 1997.

Summary of Substitute Bill: The B&O tax rate for wholesale sales of canola is reduced to the same rate that applies to such sales of wheat. The new rate is 0.011 percent with or without the rounded surcharge. The B&O tax rate for manufacturing canola into canola oil, canola meal, or canola by-products is reduced to the rate that applies to manufacturing wheat into flour. The new rate is 0.138 percent. With the surcharge which expires on June 30, 1997, the new rate is 0.144 percent as rounded off.

Substitute Bill Compared to Original Bill: The reduced B&O tax rate for manufacturing canola into canola meal or canola by-products is added by the substitute bill.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect on July 1, 1995.

Testimony For: (1) The bill permits wholesale sales of canola to be taxed at the same rate as the rate afforded the wheat for which it is a rotation crop; the bill removes a discrimination against rotating these crops. (2) The reduced rate provided by the bill for manufacturing canola into oil may help attract a processing plant for this commodity. (3) Within 10 years, the production of canola in the Northwest has grown to two-thirds of the nation's production. Canola is now the nation's second ranking seed for oil. (4) The profit margin for producing agricultural commodities, including canola, is very small. The B&O tax penalizes businesses dealing with these large volume, but small profit, commodities. (5) The bill should also apply to canola meal and canola by-products.

Testimony Against: None.

Testified: Representative Mark Schoesler (prime sponsor); and Andrew Thostenson, Spectrum Crop Development, Inc. (pro).

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill by Committee on Agriculture & Ecology be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives B. Thomas, Chairman; Boldt, Vice Chairman; Carrell, Vice Chairman; Morris, Ranking Minority Member; Hymes; Mason; Mulliken; Pennington; Schoesler; Sheldon and Van Luven.

Staff: Rick Peterson (786-7150).

Summary of Recommendation of Committee on Finance Compared to Recommendation of Committee on Agriculture & Ecology: No new changes are recommended.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect on July 1, 1995.

Testimony For: This is a good rotation crop for farmers. This bill will equalize the playing field by giving this crop the same business and occupation tax rate as for competing crops in Washington State.

Testimony Against: None.

Testified: Representative Marc Schoesler, prime sponsor.