

HOUSE BILL REPORT

E2SHB 1328

As Passed Legislature

Title: An act relating to business and occupation tax on the handling of hay, alfalfa, and seed.

Brief Description: Revising the business and occupation tax on the handling of hay, alfalfa, and seed.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Schoesler, Chandler, Sheahan, Mulliken, Bush, McMorris and Mastin; by request of Department of Revenue).

Brief History:

Committee Activity:

Agriculture & Ecology: 2/5/97, 2/12/97 [DPS];
Finance: 3/3/97, 3/7/97 [DP2S(w/o sub AGECE)].

Floor Activity:

Passed House: 2/27/98, 97-0.
Passed Legislature.

HOUSE COMMITTEE ON AGRICULTURE & ECOLOGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Chandler, Chairman; Parlette, Vice Chairman; Schoesler, Vice Chairman; Linville, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; Cooper; Delvin; Koster; Mastin; Regala and Sump.

Staff: Kenneth Hirst (786-7105).

HOUSE COMMITTEE ON FINANCE

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Agriculture & Ecology. Signed by 11 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Boldt; Butler; Kastama; Mason; Morris; Pennington; Schoesler and Van Luven.

Minority Report: Do not pass. Signed by 3 members: Representatives Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; and Conway.

Staff: Rick Peterson (786-7150).

Background: Effective July 1, 1998, the business and occupation (B&O) tax rate for manufacturing and selling at wholesale is 0.484 percent; for retailing, 0.471 percent; and for business service activities, 0.275 percent for international investment management services and 1.5 percent for general business services. However, for wholesale sales of a number of agricultural commodities purchased for sale at wholesale, the base B&O tax rate is equal to the gross proceeds of the sales multiplied by 0.011 percent.

Summary of Bill: The B&O tax rate is reduced or eliminated for wholesale sales to farmers of seed conditioned for use in planting and not packaged for retail sale, or conditioning seed for planting owned by others.

If legislation (HB 2335) consolidating B&O tax categories and eliminating the tax for wholesale sales of certain agricultural commodities does not become law, the rate for these activities is 0.011 percent. If that legislation becomes law, these activities are exempted from B&O taxation. The "seed" referred to is agricultural seed and seed potatoes but not flower seeds, vegetable seeds, or seeds or propagative portions of plants used to grow ornamental flowers or used to grow any type of bush, moss, fern, shrub, or tree.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 1997.

Testimony For: (Agriculture & Ecology) The bill makes the B&O taxes for these activities consistent with B&O tax policy for other agricultural activities.

(Finance) The bill places seed conditioning into the same B&O tax classification as wheat, oats, dry peas, and other farm products to which it is equivalent. Cubed hay is exported to major markets in the far east. Washington producers are facing increasing competition from Canadian producers and others. The tax cut will help Washington producers stay in this market.

Testimony Against: (Agriculture & Ecology) None.

(Finance) None.

Testified: (Agriculture & Ecology) Jim Hedrick, Department of Revenue (in favor).

(Finance) (Pro) Representative Schoesler, prime sponsor; and Ray Schindler, Northwest Hay Cubers and Wheat Growers Association.