

ANALYSIS OF HB 2581

House Agriculture & Ecology Committee

January 28, 1998

BACKGROUND:

Sales of feed, seed, seedlings, fertilizer, pollination agents, and spray materials sold to farmers for the purpose of producing an agricultural product for sale or to persons who are participating in the federal Conservation Reserve Program or certain habitat programs are exempt from retail sales or use taxation. (RCW 82.04.050(7).) The rules of the Department of Revenue indicate that persons making these sales to farmers are generally subject to the Business and Occupation (B&O) tax:

Persons making sales of tangible personal property or services to farmers are generally subject to the business and occupation tax thereon. . . . Persons who make sales at wholesale are subject to the wholesaling B&O tax upon the gross proceeds from such sales The following are examples of sales at wholesale:

. . . .
(ii) Sales to farmers of feed, seed, fertilizer, spray materials, and agents for enhanced pollination, including insects such as bees, for the purpose of producing an agricultural product for wholesale or retail sale. However, wholesale sales of certain unprocessed grain and legumes to farmers for use as feed may be taxable at a lower rate under the wholesaling wheat, oats, corn, barley, dry peas, dry beans, lentils, triticale B&O tax classification. . . .- (WAC 458-20-122(3). Cross references excluded.)

SUMMARY:

The state's retail sales and use taxes do not apply to sales of substances used as food to sustain or improve livestock and poultry, whether the substances are in sacks or in bulk, including whole and processed grains or their mixtures, meals made from hay or forages, mill feeds and feeding concentrates, salt, bone meal, grit, oyster shell, hay or forages either in bales, loose, compacted, processed, or unprocessed, and other similar feed. The livestock— for which this tax on feed exemption is provided are mammals, but not dogs, cats, guinea pigs, gerbils, hamsters, rabbits kept as pets, or other like animals. The poultry— for which this tax on feed exemption is provided are chickens, turkeys, ducks, geese, pheasants, quail, and ratites.

Effective Date: The bill takes effect July 1, 1998.