

FINAL BILL REPORT

SSB 5309

FULL VETO

As Passed Legislature

Brief Description: Providing excise tax exemptions related to horses.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Morton and Anderson).

Senate Committee on Agriculture & Environment

Senate Committee on Ways & Means

House Committee on Finance

Background: The business and occupation (B&O) tax is levied on the gross proceeds of sale or the gross income of a business, without any deduction for the cost of doing business. The business and occupation tax is paid by the seller.

The B&O tax rate varies depending on the classification of the activity. For example, the training or boarding of horses is considered a service and is subject to 1.75 percent rate. Other businesses that are engaged in wholesaling or retailing are subject to a lower rate.

The business and occupation tax is not applied to farmers who sell any agricultural product at wholesale but does apply to retail sales by farmers of agricultural products. For purposes of the business and occupation tax, agricultural product means any product of plant cultivation or animal husbandry, but does not include animals intended to be pets.

The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state sales tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. The total retail sales tax rate is between 7 percent and 8.2 percent, depending on the location.

Retail sale is defined to exclude the sale of feed, seed, or fertilizer to farmers for the producing for sale any agricultural product.

The retail sales tax does not apply to the purchase of feed for purebred livestock for breeding purposes where the animal is registered in a nationally recognized breeding association. Thus, feed purchased for gelded or spayed horses technically is subject to the retail sales tax as is feed for nonregistered horses.

Summary: Feed sold for horses is exempt from the sales and use tax. The boarding, breeding or selling of horses is exempt from the B&O tax.

Votes on Final Passage:

Senate	47	1
House	94	0