

# SENATE BILL REPORT

## SSB 5309

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As Passed Senate, February 17, 1998

**Title:** An act relating to excise tax exemptions related to horses.

**Brief Description:** Providing excise tax exemptions related to horses.

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

**Brief History:**

**Committee Activity:** Agriculture & Environment: 2/25/97 [DP-WM].

Ways & Means: 2/9/98, 2/10/98 [DPS].

Passed Senate, 2/17/98, 47-0.

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### SENATE COMMITTEE ON AGRICULTURE & ENVIRONMENT

**Majority Report:** Do pass and be referred to Committee on Ways & Means.

Signed by Senators Morton, Chair; Swecker, Vice Chair; Newhouse, Oke and Rasmussen.

**Staff:** Bob Lee (786-7404)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5309 be substituted therefor, and the substitute bill do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Brown, Hochstatter, Long, Loveland, McDonald, Roach, Rossi, Schow, B. Sheldon, Spanel, Swecker, Thibaudeau and Winsley.

**Staff:** Terry Wilson (786-7433)

**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 non-registered horses.

**Summary of Bill:** 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.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For (Agriculture & Environment):** Horses are considered as livestock but sales of feed to horses are treated differently under current sales tax laws than sales of feed to other livestock. Like other livestock, a high percentage of horses eventually are sold and their meat is used for animals or sold overseas for human consumption. The tax laws should treat horses the same as other livestock.

**Testimony Against (Agriculture & Environment):** None.

**Testified (Agriculture & Environment):** Eddie Armstrong, Washington State Horse Council (pro).

**Testimony For (Ways & Means):** This bill is vital to the industry. There are 400,000 horses in 115,000 households in this state. Many of these horses are involved in 4H. Many youths learn to ride and train at small stables, and small stables are being forced out of business. The law is vague. Horses are livestock and should be treated the same as other livestock.

**Testimony Against (Ways & Means):** None.

**Testified (Ways & Means):** PRO: Eddie Armstrong, WA State Horse Council; Betty Jo Watkins, Weeping Willow Ranch; Louise Ross, Gaitaway Stables; Jim Murphy, Backcountry Horsemen of WA; Virginia Prigge, WA State Horsemen; Carol O'Conner, horse owner.