

HOUSE BILL REPORT

HB 1765

As Reported by House Committee On:
Agriculture & Ecology

Title: An act relating to providing a tax rate for manufacturers of dairy products comparable to other processors of agricultural commodities.

Brief Description: Providing a tax rate for manufacturers of dairy products comparable to other processors of agricultural commodities.

Sponsors: Representatives Linville, G. Chandler, Kessler, Pearson, Eickmeyer, Grant, DeBolt, Schoesler, Buck, B. Chandler, Doumit, Casada and Mulliken.

Brief History:

Committee Activity:

Agriculture & Ecology: 2/16/01 [DP].

Brief Summary of Bill

- Sets the business and occupation tax rate for the manufacturers of dairy products at 0.138 percent of the value of the products manufactured.
- Requires the producers of dairy products to maintain a business record, as prescribed by the Department of Revenue, as proof of sale to a person who transports the dairy products out of state.

HOUSE COMMITTEE ON AGRICULTURE & ECOLOGY

Majority Report: Do pass. Signed by 14 members: Representatives G. Chandler, Republican Co-Chair; Linville, Democratic Co-Chair; Cooper, Democratic Vice Chair; Mielke, Republican Vice Chair; B. Chandler, Delvin, Dunshee, Grant, Hunt, Kirby, Quall, Roach, Schoesler and Sump.

Staff: Jason Callahan (786-7117).

Background:

Every person engaging in a business activity in Washington must pay a business and occupation (B&O) tax measured by the application of rates against the value of products,

gross proceeds of sales, or gross income of the business. Persons engaged in business as manufacturers are assessed a tax rate of the value of their products multiplied by 0.484. Persons engaged in wholesale sales are assessed the tax rate of the gross proceeds of the sales multiplied by 0.484. Revenues from the B&O tax are deposited in the state general fund.

Various manufacturers have been specifically exempted from the primary B&O manufacturer tax rate and have been assessed a lower B&O rate. Examples of manufacturers paying the lower rate of 0.138 percent include the manufacturers of flour, pearl barley, canola byproducts, sunflower oil, raw seafood, and preserved fruits and vegetables.

The producers of dairy products are assessed the primary manufacturer B&O tax of product value multiplied by 0.484 percent.

Summary of Bill:

The rate of the B&O tax on manufacturing dairy products and dairy by-products such as whey and casein, or selling the same to a purchaser who transports the products out of state is reduced from the current 0.484 percent to 0.138 percent. The seller of dairy products must maintain a business record, as prescribed by the Department of Revenue, as proof of sale to a person who transports the dairy products out of state.

Appropriation: None.

Fiscal Note: Requested on February 14, 2001.

Effective Date: The bill takes effect on August 1, 2001.

Testimony For: The producers of dairy products should be treated like the producers of other agricultural products. The processing and marketing of dairy products has changed since the manufacturing B&O tax first was enacted. Washington dairy producers are exporting more of their product now than ever before, and this bill will maintain the processor's and producer's health.

Washington's dairy production ranks eighth among the 50 states, and milk is consistently one of Washington's top four commodities. A B&O tax reduction for dairy producers would allow Washington's dairy industry to regain its competitive advantage.

Currently dairy producers pay three and half times more in taxes than other agriculture producers pay. This inequity should be remedied.

Testimony Against: None.

Testified: (In favor) Mike Schwisow, Washington-Oregon Dairy Processors Association; Doug Marshall, West Farm Foods; and Sharon Appelt, West Farm Foods.