

HOUSE BILL REPORT

HB 1887

As Reported by House Committee On:

Finance

Title: An act relating to providing farmers with sales and use tax exemptions for propane and wood shavings used in the raising of chickens.

Brief Description: Providing farmers with sales and use tax exemptions for certain propane and wood shavings.

Sponsors: Representatives Linville, G. Chandler and Grant.

Brief History:

Committee Activity:

Finance: 2/22/01, 3/8/01 [DP].

Brief Summary of Bill

An exemption from the retail sale and use taxes is provided for the purchase or use of:

- Propane or natural gas used to heat structures that house chickens to be sold as agricultural products.
- Bedding materials used to accumulate and facilitate the removal of chicken manure.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 10 members: Representatives Cairnes, Republican Co-Chair; Morris, Democratic Co-Chair; Berkey, Democratic Vice Chair; Roach, Republican Vice Chair; Carrell, Conway, Pennington, Santos, Van Luven and Veloria.

Staff: Mark Matteson (786-7145).

Background:

The retail sales tax applies to the selling price of tangible personal property and of certain

services purchased at retail. The tax base includes goods and certain services. The tax is imposed at a 6.5 percent rate by the state. Cities and counties may impose a local tax at a rate up to a maximum of 3.1 percent; currently, local rates imposed range from 0.5 percent to 2.3 percent. Sales tax is paid by the purchaser and collected by the seller.

The use tax is imposed on items used in the state which were not subject to the retail sales tax, and includes purchases made in other states and purchases from sellers who do not collect Washington sales tax. The state and local rates are the same as those imposed under the retail sales tax. Use tax is paid directly to the Department of Revenue.

All items and services in the retail tax base are taxed unless specifically exempted in statute. Farmers are provided a number of retail sales and use tax exemptions related to growing, cultivating, or raising agricultural products. The purchase or use of feed, seed, fertilizer, chemical spray and pollination agents that are used to produce agricultural products are exempt. Purchases of purebred livestock for breeding purposes and cattle and milk cows used on farms are similarly exempt. In addition, purchases of poultry for use in the production of poultry or poultry products are exempt.

No retail sales and use exemption is provided for the purchase of items that are indirectly involved in the raising of poultry, such as fuel to regulate the temperature of chicken housing, or materials involved in the removal of manure.

Summary of Bill:

A retail sales and use exemption is provided for the purchase or use of propane or natural gas used to heat structures that house chickens that are sold as agricultural products. In addition, the purchase or use of bedding materials that are used to accumulate and facilitate the removal of chicken manure are exempted from sales and use taxes. Bedding materials are defined as wood shavings, straw, sawdust, shredded paper, and other similar materials.

To receive an exemption provided under this bill, the buyer must present an exemption certificate. The seller is required to retain a copy on file.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The southeastern part of the United States is the Broiler Belt, and farmers there have much lower costs in raising chickens. California exempted propane

and shavings as inputs to heating housing structures for chickens two years ago. Washington poultry farmers are at a disadvantage.

The poultry industry is a bright spot in Washington agriculture, involving 70 families and about 2,500 jobs in the state. The market likes Washington chicken. However, poultry farmers have been leaving the industry in this state. Farm revenues are down in the last few years by seven percent, yet costs are up 19 percent. Unlike other agriculture industries in this state, a large majority of poultry production stays within the state.

Heat is a very important input for raising young chicks. Some farmers have spent \$30,000 in recent years on propane costs.

Testimony Against: None.

Testified: Representative Linville, prime sponsor; Fred Colvin; Chris Cheney, Washington Fryer Commission; Mike Kayser, Washington Fryer Commission; and Linda Johnson, Washington Farm Bureau.