

# SENATE BILL REPORT

## SHB 2929

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As Reported By Senate Committee On:  
Agriculture, February 26, 2004  
Ways & Means, March 1, 2004

**Title:** An act relating to suspending business and occupation taxation on certain businesses impacted by the ban on American beef products.

**Brief Description:** Providing temporary tax relief for Washington beef processors.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives Schoesler, Grant, Chandler, Linville, Delvin, Cairnes, Sump, Mastin, Newhouse, Morris, Holmquist, Ericksen, McDonald, Clements, Conway, Condotta, Hinkle, Skinner, Armstrong, Kristiansen, Hatfield, Kirby, Sullivan, Pearson, Shabro and Hankins).

**Brief History:**

**Committee Activity:** Agriculture: 2/24/04, 2/26/04 [DPA-WM].  
Ways & Means: 3/1/04 [DPA (AG)].

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### SENATE COMMITTEE ON AGRICULTURE

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

Signed by Senators Swecker, Chair; Brandland, Vice Chair; Jacobsen, Rasmussen and Sheahan.

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

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended by Committee on Agriculture.

Signed by Senators Zarelli, Chair; Hewitt, Vice Chair; Parlette, Vice Chair; Carlson, Doumit, Hale, Honeyford, Johnson, Pflug, Prentice, Rasmussen, Roach, Sheahan and Winsley.

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

**Background:** Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of all business activities conducted within the state, without any deduction for the costs of doing business. Although there are several different rates, the most common rates are 0.471 percent for retailing, 0.484 percent for wholesaling, and 1.5 percent for service activity. Businesses that are involved in more than one kind of business activity are required to segregate their income and report under the appropriate tax classification based on the nature of the specific activity.

The slaughtering, breaking, processing, and wholesaling of perishable meat products is taxable at a rate of 0.138 percent when the product is sold at wholesale only and not at retail.

On December 23, 2003, a Washington cow that had been imported from Canada tested positive for Bovine Spongiform Encephalopathy (BSE). On December 24, 2003, Japan, Mexico, the Republic of Korea, and many other nations banned imports of U.S. beef. For the first 11 months of 2003 Japan, Mexico, and the Republic of Korea imported nearly 2 billion pounds of beef from the U.S. These three countries represent over 80 percent of U.S. beef exports.

**Summary of Amended Bill:** A B&O tax deduction is available on slaughtering, breaking, processing, and wholesaling of perishable beef products for firms that slaughter cattle. The deduction is available until Japan, Mexico, and the Republic of Korea all lift import bans on beef and beef products from the United States.

**Amended Bill Compared to Original Bill:** The provision that limited the deduction to the proportion received by the taxpayer from the sale of beef products exported from the United States during the 12-month period before December 2003 was removed.

**Appropriation:** None.

**Fiscal Note:** Available. Requested on substitute on February 10, 2004.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Testimony For (Agriculture):** The meat industry suffered losses as foreign countries imposed bans on the importation of U.S. beef when the BSE positive cow was discovered in December. A significant amount of beef products in transit to foreign ports became stranded. This had a significant negative impact on the industry. Due to the loss of these markets, the quiet floor time at a major slaughtering facility has increased tenfold. There are already only a few major plants in the state that buy cattle and a loss of any more will reduce the competition in the industry that cattle producers depend on for establishing a fair market price.

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

**Testified (Agriculture):** PRO: Mark Triplett, Tyson Fresh Meats; Julie Sexton, Dept. of Revenue; Heather Hansen, WA Cattle Feeders Assn.

**Testimony For (Ways & Means):** The cattle industry has been severely affected by the ban. There has been less work. This targets tax relief to the processor. It creates jobs. It ripples through the agricultural economy. This does not solve the entire problem.

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

**Testified (Ways & Means):** PRO: Representative Schoesler, prime sponsor; Mark Triplett, Tyson Fresh Meats; Mike Ryherd, Teamsters.