FINAL BILL REPORT
HB 1407

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Synopsis as Enacted

Brief Description: Providing an expiration date for the tax deduction for certain businesses impacted by the ban on American beef products.

Sponsors: By Representatives Grant, Walsh, Linville, Buri and Morrell.

House Committee on Finance
Senate Committee on Agriculture & Rural Economic Development
Senate Committee on Ways & Means

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 business activities conducted within the state, without any deduction for the costs of doing business. The tax is imposed on the gross receipts from all business activities conducted within the state. 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. Before these bans, over 80 percent of U.S. beef exports went to Japan, Mexico, and the Republic of Korea.

In 2004, the Legislature adopted a B&O tax deduction for the 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 lift import bans on beef and beef products from the United States.

Since the original bans were put in place, progress has been made in lifting the bans. In March 2004, Mexico announced that it would allow imports of U.S. beef. Also in October 2004, the Governments of the United States and Japan announced an agreement on beef trade between the two countries. The agreement allows exports to Japan of beef from animals 20 months or younger without 100 percent testing. Both countries must revise their domestic regulations before trade occurs.

Summary:

The B&O tax deduction for the slaughtering, breaking, processing, and wholesaling of perishable beef products for firms that slaughter cattle ends December 31, 2007.

Votes on Final Passage:

House	96	0
Senate	49	0

Effective: July 24, 2005