

HOUSE BILL REPORT

HB 3083

As Reported by House Committee On:
Finance

Title: An act relating to the excise taxation of fruit and vegetable processing and storage.

Brief Description: Modifying the excise taxation of fruit and vegetable processing and storage.

Sponsors: Representatives Takko, Haler and Blake.

Brief History:

Committee Activity:

Finance: 1/31/06, 2/1/06 [DP].

Brief Summary of Bill

- Sunsets exemption of fresh fruit and vegetable processing from business and occupation tax on July 1, 2012.
- Sunsets warehouse tax remittance program for fresh and/or frozen perishable fruit or vegetable cold storage warehouses on July 1, 2012.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 11 members: Representatives McIntire, Chair; Hunter, Vice Chair; Orcutt, Ranking Minority Member; Roach, Assistant Ranking Minority Member; Ahern, Condotta, Conway, Ericks, Hasegawa, Santos and Shabro.

Staff: Rick Peterson (786-7150).

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 B&O tax rate depends on the activities conducted. The most common rates are 0.471 percent for retailing activities, 0.484 percent for wholesaling and manufacturing, and 1.5 percent for services. There is a lower rate of 0.138 percent for some agricultural product processing.

In the 2005 session, the Legislature adopted tax incentives for the fruit and vegetable processing industry. A B&O tax exemption was provided for the canning, preserving, freezing, processing, or dehydrating fresh fruits and vegetables and for selling at wholesale fresh fruits and vegetables canned, preserved, frozen, processed, or dehydrated by the seller

and sold to purchasers who transport in the ordinary course of business the goods out of this state.

A new Sales and Use Tax Deferral Program was created for fruit and vegetable processing, cold storage warehousing, and related research and development businesses. This program starts July 1, 2007 and expires July 1, 2012.

Firms using the B&O exemption and the sales tax deferral are required to complete an annual survey and provide information on the amount of B&O tax exempt, sales and use tax deferred, number of jobs and the percent of full-time, part-time and temporary jobs; wages by salary band; and number of jobs with employer provided health and retirement benefits. The survey is due each year by March 31.

In addition, starting July 1, 2007, fresh and/or frozen perishable fruit or vegetable cold storage warehouses of at least 25,000 square feet are added to the warehouse tax remittance program. The remittance is 100 percent of the state sales tax on construction of the warehouse and purchases of material-handling and racking equipment. The taxpayer must initially pay all applicable taxes and then apply for reimbursement to the Department of Revenue (Department).

Summary of Bill:

The B&O tax exemption for canning, preserving, freezing, processing, or dehydrating fresh fruits and vegetables and for selling at wholesale fresh fruits and vegetables canned, preserved, frozen, processed, or dehydrated by the seller and sold to purchasers who transport in the ordinary course of business the goods out of this state is ended on July 1, 2012, and a tax rate of 0.138 percent is established for these activities.

The Department may extend the March 31 filing deadline for surveys by firms using the B&O exemption and the sales tax deferral if the failure to file is the result of circumstances beyond the control of the taxpayer. These firms must electronically file their forms with the Department.

The Warehouse Tax Remittance Program for fresh and/or frozen perishable fruit or vegetable cold storage warehouses of at least 25,000 square feet is ended on July 1, 2012.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect July 1, 2006, except sections 4, 5 and 7, related to the filing of surveys for the deferral program, and the warehouse sales tax remittance, take effect July 1, 2007; and sections 8 and 9, which reinstates prior law related to the warehouse sales tax remittance program after a scheduled expiration, takes effect July 1, 2012.

Testimony For: The bill adds sunsets to the tax exemptions for fresh fruit and vegetable processing. They were inadvertently left out of last year's bill.

Testimony Against: None.

Persons Testifying: Representative Takko, prime sponsor.

Persons Signed In To Testify But Not Testifying: None.