

SENATE BILL REPORT

HB 1407

As Reported By Senate Committee On:
Agriculture & Rural Economic Development, March 24, 2005
Ways & Means, April 1, 2005

Title: An act relating to providing an expiration date for the tax deduction for certain businesses impacted by the ban on American beef products.

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

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

Brief History: Passed House: 3/07/05, 96-0.

Committee Activity: Agriculture & Rural Economic Development: 3/22/05; 3/24/05 [DP-WM].

Ways & Means: 3/31/05, 4/1/05 [DP].

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

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

Signed by Senators Rasmussen, Chair; Shin, Vice Chair; Schoesler, Ranking Minority Member; Delvin, Jacobsen and Morton.

Staff: Bob Lee (786-7404)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Doumit, Vice Chair; Fraser, Vice Chair; Zarelli, Ranking Minority Member; Fairley, Hewitt, Kohl-Welles, Parlette, Pflug, Pridemore, Rasmussen, Regala, Rockefeller, Schoesler and Thibaudeau.

Staff: Dean Carlson (786-7305)

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.

Summary of Bill: The B&O tax deduction for the slaughtering, breaking, processing, and wholesaling of perishable beef products for firms that slaughter cattle ends either December 31, 2007, or when Japan, Mexico, and the Republic of Korea all lift their ban on beef products from the United States, whichever occurs earlier.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For: (Agriculture & Rural Economic Development) The exemption helped to reduce the losses incurred at the processing plants. Even though it would be nice if the exemption would continue indefinitely, it did help to keep the plants in operation and the people employed to the extent possible.

Testimony Against (Agriculture & Rural Economic Development): None.

Who Testified (Agriculture & Rural Economic Development): PRO: Jim Jesernig, Washington Beef; Jim Halstrom, Tyson.

Testimony For (Ways & Means): In the grand scheme of things this does not have a large effect.

The deduction helped us when the bans were put in place. We support this measure.

Testimony Against (Ways & Means): None.

Who Testified (Ways & Means): PRO: Jim Halstrom, Tyson Foods.