

SENATE BILL REPORT

EHB 3159

As Reported By Senate Committee On:
Ways & Means, February 21, 2006

Title: An act relating to the excise taxation of food products.

Brief Description: Modifying the excise taxation of food products.

Sponsors: Representatives Linville, Newhouse, Grant, Kessler, Orcutt, Chandler, Dunn and Kristiansen.

Brief History: Passed House: 2/11/06, 90-5.

Committee Activity: Ways & Means: 2/21/06 [DPA, DNP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Prentice, Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Parlette, Pridemore, Rasmussen, Regala, Roach, Rockefeller and Schoesler.

Minority Report: Do not pass.

Signed by Senators Fraser, Vice Chair, Capital Budget Chair and Fairley.

Staff: Terry Wilson (786-7433)

Background: During the 2005 session, the Legislature provided tax incentives for fresh fruit and vegetable processing in Washington State that includes:

- 1) An exemption from the business and occupation tax for processing fresh fruits and vegetables and for wholesale sales by the processor to purchasers who transport the goods outside the state in the ordinary course of business;
- 2) A statewide sales and use tax deferral program for fruit and vegetable processing, cold storage warehousing, and related R&D businesses July 1, 2007, to July 1, 2012. The deferred tax is required to be paid only if the facility or warehouse is used for a different purpose within eight years; and
- 3) An expansion of the state sales tax refund for cold storage warehouses. Cold storage warehouses qualify for remittance of state tax if they are at least 25,000 square feet rather than 200,000. The remittance on material-handling equipment and racking equipment for cold storage warehouses was increased from 50 percent to 100 percent.

The Department of Revenue must report to the Legislature by December 1, 2011, on the effects of these tax incentives on employment and economic growth.

Summary of Amended Bill: A B&O tax exemption is provided for dairy product manufacturing and for wholesale sales to purchasers who transport the goods outside the state in the ordinary course of business. The B&O tax exemption expires July 1, 2012, and the B&O tax rate for dairy products and for fresh fruit and vegetable processing returns to 0.138 percent.

The sales and use tax deferral program and the cold storage warehouse refund is extended to dairy products and egg handling facilities.

The expansion of the state sales tax refund for cold storage warehouses expires July 1, 2012.

Amended Bill Compared to Original Bill: The original bill also extended the tax incentives to seafood manufacturing. In addition, the B&O tax rate for persons that inspect, test, label, and store canned salmon owned by another person was reduced to 0.484 percent, and these businesses were exempt from sales and use taxes on materials used in the labeling or packaging of canned salmon.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Testimony For: (From SB 6704) This business is very competitive with California. California and Utah provide income tax incentives to their industry. This will help provide a greater return to our farmer-owned members.

Testimony Against: (From SB 6704) None.

Who Testified: (From SB 6704) PRO: Sharon Appelt, Northwest Dairy Assn., West Farm Foods; Dan Coyne, Northwest Dairy Assn.