

SENATE BILL REPORT

SB 6704

As Passed Senate, February 17, 2006

Title: An act relating to the excise taxation of the manufacturing, selling, and processing of certain food products.

Brief Description: Modifying the excise taxation of the manufacturing, selling, and processing of certain food products.

Sponsors: Senators Rasmussen, Prentice, Doumit, Schoesler, Honeyford, Brandland, Sheldon, Morton and Mulliken.

Brief History:

Committee Activity: Agriculture & Rural Economic Development: 1/30/06 [DP-WM].

Ways & Means: 2/2/06, 2/16/06 [DP, DNP].

Passed Senate: 2/17/06, 40-4.

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, Morton and Sheldon.

Staff: Bob Lee (786-7404)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

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

Minority Report: Do not pass.

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

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 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.

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 (Agriculture & Rural Economic Development): Dairy products is the #2 agricultural commodity in Washington State. California is the nation's #1 milk producing state and has a competitive advantage due to its milk marketing order. The purpose of this bill is to help make Washington's milk industry more competitive by providing relief from the B&O tax and qualifying for the state sales tax deferral program.

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

Who Testified (Agriculture & Rural Economic Development): PRO: Sharon Appelt and Dan Coyne, Northwest Dairy Association (Darigold).

Testimony For (Ways & Means): 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 (Ways & Means): None.

Who Testified (Ways & Means): PRO: Sharon Appelt, Northwest Dairy Assn., West Farm Foods; Dan Coyne, Northwest Dairy Assn.