FINAL BILL REPORT
HB 1443

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Synopsis as Enacted

Brief Description: Creating a public utility tax deduction for the transportation of agricultural commodities.

Sponsors: By Representatives Grant, Buri, Blake, Walsh, B. Sullivan, Linville, Hailey, Newhouse and O'Brien.

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

Background:

Publicly and privately-owned utilities are subject to the state public utility tax (PUT). The PUT is applied to the gross receipts of the business. The tax rate depends on the utility classification. Two such classifications are motor transportation businesses, which include trucking and busing companies that haul persons or property of others for hire, and railroad businesses. Motor transportation and railroad businesses are taxed at 1.926 percent. Revenues are deposited to the State General Fund.

A deduction from the PUT is allowed for amounts received for transporting commodities from points of origin within the state to a port facility, if from the point of delivery the commodities are forwarded to interstate or foreign destinations, without any sort of intervening transportation. Through guidance issued by excise tax advisory in 1984, the Department of Revenue (DOR) has allowed trucking companies to claim the deduction when transporting grain to interim facilities under certain conditions. The trucker is required to obtain from the grain dealer a certification that 96 percent or more of the grain delivered by the trucker will then be shipped directly out of state or to an export facility operated by the dealer, for shipment to foreign or interstate destinations without intervening transportation. The dealer must also certify that more than 96 percent of all grain received at the interim storage facility in the preceding year was shipped by vessel in its original form to foreign or interstate destinations.

The DOR has recently notified affected stakeholders that the application of the deduction as suggested in the guidance lacks proper statutory authority.

Summary:

For the purposes of determining taxable income under the PUT, a deduction is allowed under certain conditions for amounts derived from the transportation of agricultural commodities from points of origin to interim storage facilities, if the commodities are ultimately bound for interstate or foreign destinations. No deduction may be claimed unless the commodity broker that operates the interim storage facility also operates the port facility from which the commodity is to be exported.

To obtain the deduction, the firm that transports the commodity from the point of origin must obtain a certificate from the commodity broker certifying that at least 96 percent of the type of agricultural commodity received by the broker at the interim facility in the previous calendar year was shipped by vessel in original form to interstate or foreign destinations. The broker must also certify that, for any of the commodity that is then transported to export facilities, the facilities are operated by the broker and the commodity will then in fact be shipped by vessel in original form to interstate or foreign destinations.

Votes on Final Passage:

House	96	0
Senate	46	0

Effective: July 22, 2007