

FINAL BILL REPORT

ESHB 2352

C 334 L 07

Synopsis as Enacted

Brief Description: Providing excise tax relief for certain farm services.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Grant, Linville, Simpson and Bailey).

House Committee on Finance

Senate Committee on Agriculture & Rural Economic Development

Senate Committee on Ways & Means

Background:

The business and occupation (B&O) tax is assessed on the gross proceeds of a business, and the tax rate depends on the category in which the business activity is placed. The B&O tax does not apply to agricultural products sold at wholesale by farmers. Custom farming activities fall under the catch-all "service and other activities" category and are subject to a 1.5 percent tax rate. Motor transportation services are subject to the public utility tax and are assessed at a 1.926 percent rate.

Summary:

Custom farming services, such as custom plowing, cultivation, planting, and harvesting performed for farmers is exempt from the B&O tax if performed by a farmer that produces at least \$10,000 of agricultural products.

Farm management services, contract labor services, and services for farm animals, if performed by a person related to the farmer or the custom farm operator, are exempt from the B&O tax. However, the tax exemption is not allowed for farm management services, contract labor services, and animal services on transactions between two corporations that are controlled by the same group.

Persons hauling agricultural products or farm machinery are exempt from the public utility tax if the service is provided to a farmer or a person performing custom farming service, but only if the hauling is done by a related person.

The exemptions expire December 31, 2020.

Votes on Final Passage:

House	90	5	
Senate	42	5	(Senate amended)
House	90	2	(House concurred)

Effective: August 1, 2007