

SENATE BILL REPORT

SB 5059

As Reported By Senate Committee On:
Agriculture & Rural Economic Development, February 26, 2007

Title: An act relating to the business and occupation tax rate for custom farming services.

Brief Description: Providing a business and occupation tax rate for custom farming services.

Sponsors: Senators Honeyford and Schoesler.

Brief History:

Committee Activity: Agriculture & Rural Economic Development: 1/25/07, 2/26/07 [DP-WM].

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

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

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

Staff: Bob Lee (786-7404)

Background: The business and occupation (B&O) tax is assessed on the gross proceeds of a business and the tax rate depends on which category the business activity is placed. Currently, custom farming activities fall under the catch-all "service and other activities" category and are subject to a 1.5 percent tax rate.

Summary of Bill: Custom farming services are those specific farming operations provided to a farmer for the production of agricultural products including: (a) planting, cultivating and harvesting activities; and (b) application of fertilizers and products to control pests only if the product is applied by a person related to the farmer as defined by the federal internal revenue code. The B&O tax rate for these custom farming services is set at 0.2904 percent.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill declares an emergency and takes effect on July 1, 2007.

Staff Summary of Public Testimony: PRO: Relief is also sought by public livestock markets who are required to pay a B&O tax on the feed they sell to livestock owners. There is support for farmers who apply fertilizer and sprays for related family members to receive a

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lower tax rate, but this should also extend to others that apply chemicals to grow crops. There is another bill that has been introduced that exempts from tax, rather than reduces taxes for custom farm operators. A legal view was expressed that custom farming operations are now exempt from B&O tax which raises questions establishing a tax rate.

Persons Testifying: PRO: Heather Hansen, Washington Association of Wheat Growers; Dan Coyne, Washington State Council of Farmer Cooperatives; Patrick Connor, Washington State Farm Bureau; and Jack Field, Washington Cattlemen's Association.