

# SENATE BILL REPORT

## SB 5862

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As of March 1, 2013

**Title:** An act relating to providing tax exemptions for mint growers and processors of propane or natural gas to distill mint oil.

**Brief Description:** Providing tax exemptions for mint growers and processors of propane or natural gas to distill mint oil.

**Sponsors:** Senators Honeyford, Holmquist Newbry and Schoesler.

**Brief History:**

**Committee Activity:** Ways & Means: 2/28/13.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Juliana Roe (786-7438)

**Background:** Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state. Revenues are deposited in the state general fund. There are several rate categories, and a business may be subject to more than one B&O tax rate, depending on the types of activities conducted. Farmers are exempt from the B&O tax for the sale of any agricultural product at wholesale and for growing, raising, or producing agricultural products owned by others. This exemption does not apply to any person who sells such products at retail or to any person who sells manufactured substances or articles. Mint growers do not fall within this exemption because they must further process mint into mint oil, which is considered a manufactured substance.

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the property, digital products, or services were acquired by the user, then use taxes apply to the value of most tangible personal property, digital products, and some services when used in this state. The state sales and use tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 3.0 percent, depending on the location. Mint growers and processors use propane or natural gas to distill mint oil. Propane and natural gas are considered tangible personal

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property. Therefore, mint growers and processors must pay retail sales or use taxes for the purchase or use of propane and natural gas.

**Summary of Bill:** Amounts derived by mint growers and processors engaged in the manufacturing and wholesaling of mint are exempt from the B&O tax.

Mint growers and processors are exempt from the sales and use taxes for the purchase of propane or natural gas used to distill mint oil. The buyer must provide the seller with an exemption certificate in a form and manner prescribed by the Department of Revenue in order to benefit from the exemption.

**Appropriation:** None.

**Fiscal Note:** Requested on February 27, 2013.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: Using propane or natural gas to distill mint is an integral part of the agricultural process. There is not currently a market for chopped mint, but there is one for mint oil. To get mint oil, you have to distill mint and use propane or natural gas in that process. This bill will help cut costs for mint growers and processors.

**Persons Testifying:** PRO: Senator Honeyford, prime sponsor.