

SENATE BILL REPORT

EHB 2853

As Reported By Senate Committee On:
Agriculture & Agricultural Trade & Development, February 20, 1996

Title: An act relating to excise tax exemptions related to horses.

Brief Description: Providing excise tax exemptions related to horses.

Sponsors: Representative Boldt.

Brief History:

Committee Activity: Agriculture & Agricultural Trade & Development: 2/20/96
[DPA-WM].
Ways & Means: 3/7/96.

SENATE COMMITTEE ON AGRICULTURE & AGRICULTURAL TRADE & DEVELOPMENT

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.
Signed by Senators Rasmussen, Chair; Loveland, Vice Chair; Bauer, Morton, Newhouse and Snyder.

Staff: Bob Lee (786-7404)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7433)

Background: The business and occupation (B&O) tax is levied on the gross proceeds of sale or the gross income of a business, without any deduction for the cost of doing business. The business and occupation tax is paid by the seller.

The B&O tax rate varies depending on the classification of the activity. For example, the training or boarding of horses is considered a service and is subject to 1.75 percent rate. Other businesses that are engaged in wholesaling or retailing are subject to a lower rate.

The business and occupation tax is not applied to farmers who sell any agricultural product at wholesale but does apply to retail sales by farmers of agricultural products. For purposes of the business and occupation tax, agricultural product means any product of plant cultivation or animal husbandry, but does not include animals intended to be pets.

The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state sales tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. The total retail sales tax rate is between 7 percent and 8.2 percent, depending on the location.

Retail sale is defined to exclude the sale of feed, seed, or fertilizer to farmers for the producing for sale any agricultural product.

The retail sales tax does not apply to the purchase of feed for purebred livestock for breeding purposes where the animal is registered in a nationally recognized breed association. Thus, feed purchased for gelded or spayed horses technically is subject to the retail sales tax as is feed for non-registered horses.

Summary of Amended Bill: Feed sold for horses is exempt from the sales and use tax. The raising, boarding, breeding or selling of horses is exempt from the B&O tax.

Amended Bill Compared to Original Bill: An exemption is added to the B&O tax for the boarding of horses.

Appropriation: None.

Fiscal Note: Requested on February 14, 1996.

Effective Date: The bill takes effect on July 1, 1996.

Testimony For: This bill cleans up a number of tax issues that have come up over the last few years. The bill provides for greater parity among horse organizations relating to the taxation of horse-related activities.

Testimony Against: None.

Testified: Eddie Armstrong, WA State Horse Council/WA State Horsemen (pro); Frank Warnke, WA Thoroughbred Breeders and Owners Assn. (pro).