

FINAL BILL REPORT

SSB 5175

PARTIAL VETO

C 384 L 97

Synopsis as Enacted

Brief Description: Revising the business and occupation tax on the handling of hay, alfalfa, and seed.

Sponsors: Senate Committee on Agriculture & Environment (originally sponsored by Senators Morton, Rasmussen, Hochstatter, Goings and Roach; by request of Department of Revenue).

Senate Committee on Agriculture & Environment

Senate Committee on Ways & Means

Background: The primary business and occupation (B&O) tax rate on manufacturing and wholesale sales is 0.484 percent. For manufacturing, the rate is applied to the value of the products manufactured. For wholesale sales, the rate is applied to the gross proceeds of the sale. When a grower bales hay, the Department of Revenue considers this action to be part of the harvesting process. The department also considers the cubing of hay as part of the harvesting process when it is performed on the grower's land. A grower who sells hay at wholesale which was grown and cubed on his or her own land is exempt from the B&O tax.

If the cubing of hay is performed away from the grower's land, it is considered by the department to be a manufacturing activity and the business and occupation tax applies. The sale of hay that is cubed away from the grower's property is not exempt from the B&O tax because the hay is considered to be part of the manufacturing process. The harvesting process is considered to have ended once the hay leaves the grower's property.

There are a number of exceptions to the primary tax rate contained in statute under the law authorizing the business and occupation taxes. The B&O tax rate for wholesale sales of wheat, oats, dry peas, dry beans, lentils, triticale, corn, rye and barley is established at the rate of 0.011 percent. This lower rate does not apply to wholesale sales of seed conditioned for use for planting or for sale at wholesale.

Summary: Cubing hay or alfalfa is not considered a manufacturing activity. The tax imposed on every person in the state engaged in the business of selling cubed hay or alfalfa seed conditioned for use in planting is equal to the gross proceeds derived from such sales multiplied by 0.011 percent.

Votes on Final Passage:

Senate	47	0
House	85	12 (House amended)
Senate		(Senate refused to concur)
House	76	22 (House receded)

Effective: July 1, 1997

Partial Veto Summary: The legislation is narrowed so that the lower B&O tax rate of 0.011 percent will apply only to cubed hay and alfalfa sold out of state and to conditioned seeds for agriculture.