

# SENATE BILL REPORT

## SHB 1523

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As Reported By Senate Committee On:  
Agriculture & Rural Economic Development, February 20, 2006  
Ways & Means, February 27, 2006

**Title:** An act relating to extending a sales and use tax exemption to the construction of facilities to be used for the conditioning of vegetable seeds.

**Brief Description:** Extending a sales and use tax exemption to the construction of new facilities to be used for the conditioning of vegetable seed.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives Quall, Morris, Pettigrew, Kilmer, Talcott, Pearson, Linville and Kristiansen).

**Brief History:** Passed House: 2/10/06, 98-0.

**Committee Activity:** Agriculture & Rural Economic Development: 2/16/06, 2/20/06[DPA-WM].

Ways & Means: 2/22/06, 2/27/06 [DPA(ARED), DNP, w/oRec].

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### SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

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

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

**Staff:** Sam Thompson (786-7413)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended by Committee on Agriculture & Rural Economic Development.

Signed by Senators Prentice, Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Parlette, Pflug, Rasmussen, Roach and Schoesler.

**Minority Report:** Do not pass.

Signed by Senators Fraser, Vice Chair, Capital Budget Chair; Fairley and Kohl-Welles.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Regala and Rockefeller.

**Staff:** Dean Carlson (786-7305)

**Background:** The state retail sales and use tax is imposed at a rate of 6.5 percent. Local option sales and use taxes are imposed at rates ranging from 0.5 percent to 2.4 percent.

To spur economic growth, the rural county/distressed area tax deferral grants qualifying businesses a deferral of sales and use taxes due on certain activities conducted in 36 of Washington's 39 counties (i.e., 32 rural counties and four counties with community empowerment zones in economically distressed areas). Manufacturing and computer-related businesses, research and development laboratories, and commercial testing facilities may qualify by investing in plant construction, expansion, or equipment acquisition. Repayment of deferred taxes is waived if qualifying entities and other beneficiaries maintain certain requirements. The program is currently scheduled to expire on July 1, 2010.

Conditioning of seed (drying, cleaning, and other operations) for planting is exempt from the manufacturing classification of the business and occupation tax.

**Summary of Amended Bill:** The rural county/distressed area sales and use tax deferral program is expanded to include investment in plant construction, expansion, or equipment acquisition by businesses conditioning vegetable seeds.

**Amended Bill Compared to Original Bill:** Language limiting applicability to businesses conditioning non-genetically modified vegetable seed is deleted.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Effective Date:** The bill takes effect on July 1, 2006.

**Testimony For (Agriculture & Rural Economic Development):** This legislation supports the important Washington seed industry, including the Alf Christensen Seed Company of Skagit County, which conditions most beet, spinach, and cabbage seed produced in the United States. The fiscal note is not accurate; tax relief under this bill will create new jobs, generating considerable long-term economic growth and increased tax revenue that will offset short-term revenue loss. The bill should not be limited to investment in businesses conditioning non-genetically modified seed – this policy is not scientifically sound and sets a bad precedent.

**Testimony Against (Agriculture & Rural Economic Development):** None.

**Who Testified (Agriculture & Rural Economic Development):** PRO: Representative Quall, prime sponsor; Patrick Connor, Washington Farm Bureau; Heather Hansen, Washington Friends of Farms and Forests.

**Testimony For (Ways & Means):** This is about Alf Christensen Seeds. They produce more than half of the seed in Washington, and half of the world's beet, spinach, and cabbage seed. They have been there for 80 years and are building a new facility. They are looking for a sales tax exemption for the new facility. The new facility will create new jobs. This is an economic stimulus. They don't have to have their plant in Washington. The fiscal note is wrong, because Christiansen seed is the only one that benefits from this kind of expansion opportunity. The Alf Christiansen seed company contracts with many of the 500 seed growers in Eastern Washington. This should increase jobs in seed growing in Western Washington as well.

**Testimony Against (Ways & Means):** None.

**Who Testified (Ways & Means):** PRO: Representative Quall, prime sponsor; Patrick Conner, Washington Farm Bureau.