

Eliminate B&O tax exemption for farmers

Description	<p>This proposal would eliminate the business and occupation (B&O) tax exemption for farmers and those who farm for others</p> <p>The B&O tax would apply to farmers who grow, raise, or produce agricultural products owned by other persons, such as custom feed operations. For farmers growing, raising, or producing their own agricultural products for sale at wholesale, the tax would be equal to the value of agricultural products multiplied by the rate of 0.484 percent. For farmers who grow, raise, or produce agricultural products owned by others, the tax would be equal to the gross income of the business multiplied by the rate of 0.484 percent.</p> <p>Farmers would remain subject to B&O tax on non-farming activities, such as the manufacturing of products. Farmers with less than a certain amount of gross receipts will be able to take the small business B&O tax credit.</p>
Current law	<p>For purposes of the B&O tax, agricultural production is generally not considered a taxable business activity.</p> <p>RCW 82.04.330 provides a B&O tax exemption for farmers (agricultural producers) that:</p> <ul style="list-style-type: none">• Make wholesale sales of agricultural products grown, raised, or produced by the farmer; or• Grow, raise, or produce agricultural products owned by others. <p>A farmer is a person who grows, raises, or produces on their own land (or on land in which the farmer has a present right of possession) agricultural products for sale.</p> <p>Sales and use tax does not apply to many agricultural inputs purchased by farmers. Such inputs include feed, seed, fertilizers, replacement parts for qualifying equipment, fuel, farm services, leased irrigation equipment, and other items.</p>

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Revenue Impact

General Fund Impacts (\$ millions):

# of Impacted Taxpayers	FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019
46,000	\$ -	\$ 41.0	\$ 41.0	\$ 46.0	\$ 48.0

Notes:

- Estimates assume a July 1, 2016 effective date, representing 11 months of collections for FY 2017.
- Estimates reflect the November 2015 Economic & Revenue Forecast Council revenue forecast.

Expenditure Impact

FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
\$ 11,500	\$ 1,897,700	\$ 1,909,200	\$ 1,649,500	\$ 1,541,000	\$ 3,190,500