

2025 tax preference review: Agricultural Fertilizer and Seed Wholesaling

Legislative Auditor's conclusion

The preference meets the legislative goal of providing tax relief for certain commercial fertilizer, pesticide, and seed wholesalers.

Key points

- The 2017 Legislature passed the preference to provide tax relief to wholesalers that distribute agricultural products.
- The preference exempts certain sales of commercial fertilizers, seeds, and pesticides.
- Beneficiaries must have a specific ownership structure described in statute to qualify.
- Fewer than three beneficiaries claim the preference.

Tax detail

Tax type:

Business & occupation (B&O) tax

Beneficiary savings:

Not disclosable — fewer than three beneficiaries

Expiration date:

No expiration date

RCW:

RCW 82.04.628

Read the full report: leg.wa.gov/jlarc/Audits

Recommendations to the Legislature

1. The Legislature should allow the preference to continue.
2. The Legislature should clarify whether the preference is exempt from the requirements for an automatic expiration date and a tax preference performance statement.
 - The preference is exempt from both requirements. However, it has a tax preference performance statement. It states that the Legislature intends to extend the preference if the number of eligible wholesalers increased or stayed the same. There is no expiration date, making extension unnecessary.

Contact us

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More information is on the next page.

Preference exempts sales of commercial fertilizer, pesticides, and seeds if the distributor and retailer have a specific ownership structure

- The preference benefits distributors by providing tax relief.
- Fewer than three beneficiaries (distributors) claim the preference.

Distributor	Retailers
Wholesaler that sells products to retailers	Partially own the distributor

Preference provides tax relief to eligible wholesalers, meeting the Legislature’s public policy objective

2015 Legislature added an economic nexus threshold for out-of-state wholesalers.

- Applied B&O tax to out-of-state wholesalers that generated more than \$267,000 in revenue in Washington.
- Applied B&O tax to three transactions: First between the manufacturer and the distributor, again between the distributor and the retailer, and, finally, between the retailer and the farmer.

Supporters of the tax preference testified that:

- Collecting tax on the transaction between the distributor and retailer added a third taxable transaction.
- The third taxable transaction didn’t exist for distributors with a different ownership structure.

