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Governor



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March 30, 2006

To the Honorable Speaker and Members,
The House of Representatives of the State of Washington

Ladies and Gentlemen:

I am returning, without my approval as to Sections 14 and 15, Engrossed House Bill No. 3159 entitled:

"AN ACT Relating to the excise taxation of food products."

Sections 14 and 15 of this bill provide a sales and use tax exemption on material used to package canned salmon. That material includes items that affix the label to the labeled product, or items that become a component of the label, such as clear wrap, boxes, tape, box labels, glue, and ink.

With the exception of materials used to pack fresh perishable horticultural products for farmers, custom packers are consumers of packing materials and the purchase or use of such materials is subject to the retail sales and use tax. Consequently, I am concerned with providing a sales and use tax exemption for packing materials used by persons subject to the preferential rate for canned salmon. Such persons are custom packers. Providing a limited exemption for these materials sets a precedent for other custom packers who desire similar sales and use tax exemptions.

The 2005 tax breaks for the fruit and vegetable processors were enacted to help an industry that was in obvious trouble and in need of temporary aid to help turn around the industry's fortunes. That legislation was not intended to create a template for getting tax breaks for other industries. Rather, it was intended to help a Washington industry in dire straits. Washington's seafood processing industry appears to be healthy and does not need this kind of help from the state.

For these reasons, I have vetoed Sections 14 and 15 of Engrossed House Bill No. 3159.

With the exception of Sections 14 and 15, Engrossed House Bill No. 3159 is approved.

Respectfully submitted,

/s/

Christine O. Gregoire
Governor