

SENATE BILL REPORT

SHB 1906

As Reported By Senate Committee On:
Ways & Means, June 7, 2001

Title: An act relating to the exemption of machinery and equipment used in farming operations from the state property tax and preventing a shift of property taxes.

Brief Description: Exempting farming machinery and equipment from the state property tax.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Linville (co-prime sponsor), G. Chandler (co-prime sponsor), Schoesler, Haigh, B. Chandler, Hunt, Morris, Kirby, Grant, Jackley, Cox, Hatfield, Mielke, Armstrong, Delvin, Mulliken, Sump, McMorris, Barlean, Pflug, Kessler, Pearson and Conway).

Brief History:

Committee Activity: Ways & Means: 5/22/01, 6/7/01 [DPA, DNP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Brown, Chair; Fraser, Kohl-Welles, Long, Rasmussen, Roach, B. Sheldon, Snyder, Spanel, Thibaudeau, Winsley and Zarelli.

Minority Report: Do not pass.

Signed by Senators Honeyford and Sheahan.

Staff: David Schumacher (786-7474)

Background: All real and personal property in this state is subject to property tax each year based on its value unless a specific exemption is provided by law.

The state imposes an annual property tax. The maximum tax rate is \$3.60 per thousand dollars of market value. The amount of the state property tax is also restricted by the property tax revenue limit. This limit requires the state to reduce its property tax rate as necessary to limit the total amount of property taxes to the highest property tax amount in the three most recent years plus inflation plus an amount equal to last year's tax rate multiplied by the value of new construction in the state. This limit has reduced the state's market value property tax rate to \$2.83 for taxes to be collected in 2001.

Summary of Amended Bill: Machinery and equipment owned by a farmer and used exclusively to grow agricultural products is exempt from the state property tax. The farmer continues to pay local property taxes on the machinery and equipment.

The exemption applies for 2003 property taxes through 2009 taxes.

Amended Bill Compared to Original Bill: The original bill prevented the taxes from shifting and did not sunset the tax exemption.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The agriculture industry is hurting and needs help. There should be no shifts of taxes allowed in the bill. This should apply only to the state levy; local districts should not be included.

Testimony Against: None.

Testified: Linda Johnson, WA Farm Bureau (pro); Chris Cheney, WA Fryer Commission, Dairy Federation, Hop Growers of WA (pro); Jay Gordon, WA State Dairy Federation (pro); Charlie Brown, Potato Commission (pro); Fred Saeger, WA Assn. of County Officials; Jim Halstrom, WA State Horticultural Assn. (pro); Toni McKinley, WA State Grange (pro).