

# FINAL BILL REPORT

## SHB 1906

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### PARTIAL VETO

C 24 L 01 E 2

Synopsis as Enacted

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

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

**House Committee on Finance**  
**Senate Committee on Ways & Means**

#### **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 collected in 2001.

#### **Summary:**

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 state property tax is reduced as necessary to prevent the exemption from causing tax shifts to other taxpayers.

The exemption first applies for 2003 property taxes.

#### **Votes on Final Passage:**

House 96 1

First Special Session

House 95 0

Second Special Session

House 88 0

Senate 40 7 (Senate amended)

House (House refused to concur)

Senate 26 11 (Senate receded)

**Effective:** September 20, 2001

**Partial Veto Summary:** The section that reduces the state levy to prevent tax shifts to other taxpayers is vetoed.