

# HOUSE BILL REPORT

## HB 1906

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### As Reported by House Committee On:

Finance

**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:** 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.

### Brief History:

#### Committee Activity:

Finance: 2/22/01, 3/8/01 [DPS].

<h3>Brief Summary of Substitute Bill</h3>
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- Exempts farmer's machinery and equipment from the state property tax.

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## HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Cairnes, Republican Co-Chair; Morris, Democratic Co-Chair; Berkey, Democratic Vice Chair; Roach, Republican Vice Chair; Carrell, Conway, Pennington, Santos, Van Luven and Veloria.

**Staff:** Rick Peterson (786-7150).

### 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.

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**Summary of Substitute 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 state property tax is reduced so that the exemption does not cause tax shifts onto other taxpayers.

The exemption first applies for 2003 property taxes.

**Substitute Bill Compared to Original Bill:**

The substitute bill makes technical corrections to make proper reference to the definition of a farmer and to clarify that the state property tax will be reduced so that the exemption will not cause tax shifts onto other taxpayers.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** Agriculture is the largest industry in Whatcom County. The agriculture industry needs to stay viable. This bill applies to all farmers and provides a broad incentive. We need to consider the state revenue that will be lost if the agriculture industry goes away. The industry needs equitable treatment and immediate relief. Today, young people are not working on farms. If the industry doesn't improve we won't have farmers in the future.

**Testimony Against:** None.

**Testified:** Representative Linville, prime sponsor; and Fred Colvin, Washington State Dairy Association.