

Finance Committee

HB 1906

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 Summary of Bill

- *Exempts farmer's machinery and equipment from the state property tax.*

Hearing Date: *2/22/01*

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 \$2.74 for taxes to be collected in 2001.

Summary of Bill:

Machinery and equipment owned by a farmer and used exclusively in farming activities to grow agricultural products is exempt from the state property tax. The farmer continues to pay local property taxes on the machinery and equipment.

Sections 2 and 3 of the bill attempt to reduce the state property tax by the amount of the exemption. However some amendatory language is missing and these sections fail to reduce the state property tax.

The exemption first applies for 2003 property taxes.

Appropriation: *None.*

Fiscal Note: *Available.*

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