

SENATE BILL REPORT

SHB 2457

As Reported By Senate Committee On:
Agriculture & Rural Economic Development, February 20, 2006
Ways & Means, February 27, 2006

Title: An act relating to excise tax relief for farm machinery and equipment.

Brief Description: Authorizing sales and use tax exemptions for replacement parts for farm machinery and equipment.

Sponsors: House Committee on Finance (originally sponsored by Representatives Grant, Williams, Blake, Clibborn, Linville, Cox, Buck, Haigh, Sump, Newhouse, Walsh, Buri, Haler, Morrell, Morris, Ericks, Strow, O'Brien and Holmquist).

Brief History: Passed House: 2/13/06, 86-10.

Committee Activity: Agriculture & Rural Economic Development: 2/16/06, 2/20/06 [DP-WM].

Ways & Means: 2/22/06, 2/27/06 [DPA, w/oRec].

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Rasmussen, Chair; Shin, Vice Chair; Schoesler, Ranking Minority Member; Delvin, Jacobsen, Morton and Sheldon.

Staff: Bob Lee (786-7404)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Prentice, Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Parlette, Pflug, Pridemore, Rasmussen, Roach, Rockefeller and Schoesler.

Minority Report: That it be referred without recommendation.

Signed by Senators Fairley, Kohl-Welles and Regala.

Staff: Terry Wilson (786-7772)

Background: Sales tax is imposed on retail sales of most items of tangible personal property and some services, including repair services. The use tax is imposed on items used in the state that were not subject to the retail sales tax and includes purchases made in other states and from sellers who do not collect Washington sales tax.

The state sales and use tax rate is 6.5 percent. In addition, cities, counties, and transit districts may impose local option sales and use taxes. As of December 2005, local rates ranged from 0.5 percent to 2.4 percent.

Summary of Amended Bill: Farmers are exempt from sales and use tax on the purchase of replacement parts for farm machinery and equipment if their income from growing, raising, or producing agricultural products is at least ten thousand dollars in the calendar year. The exemption covers machinery and equipment designed for the purpose of growing, raising, or producing agricultural products.

Amended Bill Compared to Original Bill: The amendment adds the income requirement.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2006.

Testimony For (Agriculture & Rural Economic Development): The original bill included used equipment and parts but was pared back to just parts to reduce the fiscal impact. It will help farmers repair their old equipment as they can't afford to buy much new equipment. This will help keep dollars in the farmers' pockets so they can stay in business, which will help the local communities. Washington is 1 of 9 states that charge sales tax on equipment.

Testimony Against (Agriculture & Rural Economic Development): Counties are split because they want to protect the fiscal health of county government and they want to maintain the agricultural industry. It is suggested that the state portion be deleted and leave the local sales tax in place. There is concern about the cumulative affect to small communities over the loss of tax revenues because it reduces what was provided to these communities by SB 6050 passed last session.

Who Testified (Agriculture & Rural Economic Development): PRO: Representative Grant, prime sponsor; Heather Hansen, Washington Association of Wheat Growers Patrick Connor, Washington Farm Bureau.

CON: Jim Justin, Association of Washington Cities; Eric Johnson, Washington Association of Counties.

Testimony For (Ways & Means): This is an important tool to generate help on the farm and ranch.

Testimony Against (Ways & Means): None.

Testimony Other (Ways & Means): The local impact is significant on counties. The sales tax base is shrinking. This represents the entire property tax increase last year in Chelan County. The counties need the revenues to provide services.

Who Testified (Ways & Means): PRO: Jack Field, Washington Cattlemen's Association.

OTHER: Julie Sexton, WA Assn. of Counties.