

Multiple Agency Fiscal Note Summary

Bill Number: 1902 E HB	Title: Repairs to farm machinery
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Estimated Cash Receipts

Agency Name	2007-09		2009-11		2011-13	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	(6,432,000)	(6,443,000)	(7,275,000)	(7,287,000)	(98,000)	(110,000)
Total \$	(6,432,000)	(6,443,000)	(7,275,000)	(7,287,000)	(98,000)	(110,000)

Local Gov. Courts *						
Local Gov. Other **		(1,862,210)		(2,216,610)		(2,332,440)
Local Gov. Total		(1,862,210)		(2,216,610)		(2,332,440)

Estimated Expenditures

Agency Name	2007-09			2009-11			2011-13		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total	0.0	\$0	\$0	0.0	\$0	\$0	0.0	\$0	\$0

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

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Prepared by: Doug Jenkins, OFM	Phone: 360-902-0563	Date Published: Final 3/16/2007
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 17387

Department of Revenue Fiscal Note

Bill Number: 1902 E HB	Title: Repairs to farm machinery	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2008	FY 2009	2007-09	2009-11	2011-13
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax	(2,931,000)	(3,501,000)	(6,432,000)	(7,275,000)	(98,000)
Performance Audit Account-State 01 - Taxes 01 - Retail Sales Tax	(5,000)	(6,000)	(11,000)	(12,000)	(12,000)
Total \$	(2,936,000)	(3,507,000)	(6,443,000)	(7,287,000)	(110,000)

Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
Fund					
Total \$					

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 03/12/2007
Agency Preparation: Ray Philen	Phone: 360-570-6078	Date: 03/14/2007
Agency Approval: Don Gutmann	Phone: 360-570-6073	Date: 03/14/2007
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 03/15/2007

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Provides a sales and use tax exemption for labor and services rendered in respect to the installing of replacement parts exempt under RCW 82.08.855(a) for qualifying farm machinery and equipment, regardless of whether items excluded from the definition of replacement parts in subsection (3)(d)(ii) of this section are installed, incorporated, or placed in qualifying farm machinery and equipment during the course of the installation.

Provides a sales and use tax exemption for labor and services for repairing of qualifying farm machinery and equipment, provided that during the course of repairing no tangible personal property is installed, incorporated, or placed in, or becomes an ingredient or component of, the farm machinery and equipment other than: replacement parts exempt under (a) of this subsection; and items excluded from the definition of replacement parts in subsection (3)(d)(ii) of this section.

"Qualifying farm machinery and equipment" includes farm tractors as defined in RCW 46.04.180, farm vehicles, and other farm implements.

Amends RCW 82.08.855 to define the term "farm implement."

"Farmer" means a farmer as defined in RCW 82.04.213 whose gross proceeds from sales of agricultural products grown, raised, or produced by that person are at least \$10,000 in a calendar year in which the exemption is claimed.

"Agricultural product" means any product of plant cultivation or animal husbandry including, but not limited to: a product of horticulture, grain cultivation, vermiculture, viticulture, or aquaculture as defined in RCW 15.85.020; plantation Christmas trees; short-rotation hardwoods as defined in RCW 84.33.035; turf; or any animal including but not limited to an animal that is a private sector cultured aquatic product as defined in RCW 15.85.020, or a bird, or insect, or the substances obtained from such an animal. "Agricultural product" does not include animals defined as pet animals under RCW 16.70.020.

"Farm machinery and equipment" means machinery and equipment designed for the purpose of growing, raising, or producing agricultural products. It does not include aircraft, hand tools, or items with a useful life of less than one year.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS/DATA SOURCES

Data sources are Farm Production Expenditures 2001 Summary, U.S. Department of Agriculture (USDA) National Agricultural Statistics Service, Farm Business Income Statement, USDA National Agricultural Statistics Service, and the Census of Agriculture for the state of Washington. The USDA data provides information for persons whose principal source of income is farming.

Department of Licensing farm vehicle registrations.

This legislation will become effective 90 days after close of the legislative session.

REVENUE ESTIMATES

Repairs and Maintenance and Replacement Parts

Based on data from the National Agricultural Statistics Service, repairs and maintenance expense on the average farm is \$4,186 a year. A survey from the Pacific Northwest Hardware and Implement Association indicates approximately one-third of this amount is for repair services. The Census of Agriculture for the state of Washington shows farm sales categories as a percent of the statewide total. This information was used to estimate spending on repair services in relation to farm sales. Using this information, the loss in general fund revenue is \$2.4 million in Fiscal Year 2008. The loss in local tax revenue is \$742,000.

Department of Licensing data shows there were approximately 16,000 farm vehicles registered in Washington in 2006. If \$500 in maintenance cost per vehicle per year is assumed, then the loss in general fund revenue is \$520,000 in Fiscal Year 2008. The loss in local tax revenue is \$160,000.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2008 - \$ (2,936)
FY 2009 - \$ (3,507)
FY 2010 - \$ (3,597)
FY 2011 - \$ (3,690)
FY 2012 - \$ (3,773)
FY 2013 - \$ (3,883)

Local Government (cash basis, \$000):

FY 2008 - \$ (902)
FY 2009 - \$ (1,077)
FY 2010 - \$ (1,105)
FY 2011 - \$ (1,134)
FY 2012 - \$ (1,163)
FY 2013 - \$ (1,193)

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

To implement this legislation, the Department of Revenue (Department) will incur costs of approximately \$5,250 in Fiscal Year 2007. These costs are for mailing a special notice to farmers and replacement parts suppliers and installers. These costs are not reflected in this fiscal note.

The Department does not anticipate incurring any costs associated with the implementation of this legislation. The Department will absorb any incidental costs incurred.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years					
Total \$					

Part IV: Capital Budget Impact

NONE.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the Department will use the standard process to amend WAC 458-20-210- Sales of tangible personal property for farming -- Sales of agricultural products by farmers. The Department will not incur an additional cost because it is currently amending this rule and will incorporate this legislation as necessary. Persons affected by this rule-making would include farmers who have equipment repaired and repair shops.

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 1902 E HB	Title: Repairs to farm machinery
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☒ Cities: Sales and use tax revenue loss
- ☒ Counties: Sales and use tax revenue loss
- ☐ Special Districts:
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☐ Legislation provides local option:
- ☐ Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

Jurisdiction	FY 2008	FY 2009	2007-09	2009-11	2011-13
City	(759,033)	(823,845)	(1,582,878)	(1,884,118)	(1,982,573)
County	(133,947)	(145,385)	(279,332)	(332,492)	(349,867)
Special District					
TOTAL \$	(892,980)	(969,230)	(1,862,210)	(2,216,610)	(2,332,440)
GRAND TOTAL \$					(6,411,260)

Estimated expenditure impacts to:

Jurisdiction	FY 2008	FY 2009	2007-09	2009-11	2011-13
City					
County					
Special District					
TOTAL \$					
GRAND TOTAL \$					0

Part III: Preparation and Approval

Fiscal Note Analyst: Laura Melrose	Phone: (360) 725 5040	Date: 03/13/2007
Leg. Committee Contact:	Phone:	Date: 03/12/2007
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 03/16/2007
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 03/16/2007

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

DIFFERENCES FROM THE PREVIOUS VERSION:

The engrossed version of the bill changes the reference from “farm implement to “farm vehicle”. The definition of “qualifying farm machinery and equipment” is expanded to include “vehicles” as devices capable of being moved on public highways in which persons or property are transported.

SUMMARY OF ENGROSSED VERSION:

In Section 1, the new version modifies the requirements for exemption certificates by including harvested value of agricultural products. Exemption certificates would take effect on the date issued by Department of Revenue and are valid for the remainder of the calendar year. Gross proceeds of sales or harvested value for products would be at least ten thousand dollars in the year preceding the application of exemption. Exemption certificates may be transferred when the transferee engages in farming operations and meets exemption requirements

The meaning of “harvested value” and “average sales price” are referenced from the Department of Agriculture’s National Agricultural Statistics Service.

Section 2 does not reflect any changes from the previous version of the bill.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

Local government would not sustain any expenditure impacts from this bill. The Department of Revenue collects and administers the sales and use tax.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

Gross revenue figures were provided by Department of Revenue (see first column below). Figures reflect an increase in revenue loss from the previous version of the bill. The figures included in the front-page table and the second column below represent net revenue losses. Net losses were calculated by subtracting from gross revenue the 1 percent fee the Department of Revenue charges for collecting and administering the sales and use tax for local governments. County revenue represents 15 percent and city revenue 85 percent of annual totals.

Local Government (cash basis, \$000):

FY 2008 - \$(902)
FY 2009 - \$(1,077)
FY 2010 - \$(1,105)
FY 2011 - \$(1,134)
FY 2012 - \$(1,163)
FY 2013 - \$(1,193)

Net local government revenue impact (fiscal years, cash basis):

FY 2008 -- \$(892,980)
FY 2009 -- \$(969,230)
FY 2010 -- \$(1,093,950)
FY 2011 -- \$(1,122,660)
FY 2012 -- \$(1,151,370)
FY 2013 -- \$(1,181,070)

EXPENDITURE AND REVENUE SOURCES:

Department of Revenue fiscal notes on substitute and original bill
Local Government fiscal note on original bill