

Multiple Agency Fiscal Note Summary

Bill Number: 1902 HB PL	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)	(7,656,000)	(7,668,000)
Total \$	(6,432,000)	(6,443,000)	(7,275,000)	(7,287,000)	(7,656,000)	(7,668,000)

Local Gov. Courts *						
Local Gov. Other **	Fiscal note not available					
Local Gov. Total						

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 **	Fiscal note not available								
Local Gov. Total									

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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 18104

Department of Revenue Fiscal Note

Bill Number: 1902 HB PL	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)	(7,656,000)
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)	(7,668,000)

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: 04/23/2007
Agency Preparation: Ray Philen	Phone: 360-570-6078	Date: 04/25/2007
Agency Approval: Don Gutmann	Phone: 360-570-6073	Date: 04/25/2007
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 04/25/2007

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.

Note: This fiscal note reflects the bill as adopted by the Legislature.

Provides a sales and use tax exemption for labor and services rendered in respect to the installing of replacement parts for qualifying farm machinery and equipment.

Provides a sales and use tax exemption for labor and services for repairing of qualifying farm machinery and equipment as long as no additional tangible personal property is installed in the farm vehicle other than exempt replacement parts or nominal items such as oil, hydraulic fluid, or antifreeze.

Labor and services, even if included in a single transaction with taxable services, are exempt as long as the exempt services are separately itemized. The requirement for service costs to repair qualifying machinery and equipment be separately stated from replacement part costs is eliminated.

As an alternative to the requirement to file a federal Schedule F of Form 1040, an applicant may make a declaration signed under penalty of perjury that the applicant is an eligible farmer.

"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 or harvested value 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.

"Qualifying farm machinery and equipment" means machinery and equipment used primarily by an eligible farmer for 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 that 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 costs 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 -	\$ (3,785)
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.