## Estimated Cash Receipts

<table>
<thead>
<tr>
<th>Agency Name</th>
<th>2019-21</th>
<th></th>
<th>2021-23</th>
<th></th>
<th>2023-25</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GF-State</td>
<td>Total</td>
<td>GF-State</td>
<td>Total</td>
<td>GF-State</td>
<td>Total</td>
</tr>
<tr>
<td>Department of Revenue</td>
<td>0</td>
<td>0</td>
<td>16,800,000</td>
<td>0</td>
<td>25,600,000</td>
<td></td>
</tr>
</tbody>
</table>

**Total $** 0 0 16,800,000 0 25,600,000

<table>
<thead>
<tr>
<th>Agency Name</th>
<th>2019-21</th>
<th></th>
<th>2021-23</th>
<th></th>
<th>2023-25</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GF-State</td>
<td>Total</td>
<td>GF-State</td>
<td>Total</td>
<td>GF-State</td>
<td>Total</td>
</tr>
<tr>
<td>Local Gov. Courts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loc School dist-SPI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Gov. Other</td>
<td>(433,000)</td>
<td>(577,000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Gov. Total</td>
<td>(433,000)</td>
<td>(577,000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Estimated Operating Expenditures

<table>
<thead>
<tr>
<th>Agency Name</th>
<th>2019-21</th>
<th></th>
<th>2021-23</th>
<th></th>
<th>2023-25</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FTEs</td>
<td>GF-State</td>
<td>Total</td>
<td>FTEs</td>
<td>GF-State</td>
<td>Total</td>
</tr>
<tr>
<td>Department of Revenue</td>
<td>.5</td>
<td>176,200</td>
<td>176,200</td>
<td>.1</td>
<td>16,600</td>
<td>16,600</td>
</tr>
<tr>
<td></td>
<td><strong>Total $</strong></td>
<td>0.5</td>
<td>176,200</td>
<td>176,200</td>
<td>0.1</td>
<td>16,600</td>
</tr>
</tbody>
</table>

## Estimated Capital Budget Expenditures

<table>
<thead>
<tr>
<th>Agency Name</th>
<th>2019-21</th>
<th></th>
<th>2021-23</th>
<th></th>
<th>2023-25</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FTEs</td>
<td>Bonds</td>
<td>Total</td>
<td>FTEs</td>
<td>Bonds</td>
<td>Total</td>
</tr>
<tr>
<td>Department of Revenue</td>
<td>.0</td>
<td>0</td>
<td>0</td>
<td>.0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td><strong>Total $</strong></td>
<td>0.0</td>
<td>0</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
</tr>
</tbody>
</table>

## Estimated Capital Budget Breakout
NONE

Prepared by: Ramona Nabors, OFM
Phone: (360) 902-0547
Date Published: Revised 3/22/2020
Part I: Estimates

- No Fiscal Impact

Estimated Cash Receipts to:

<table>
<thead>
<tr>
<th>Account</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>2019-21</th>
<th>2021-23</th>
<th>2023-25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Vehicle Account-State 01 - Taxes 01 - Retail Sales Tax</td>
<td>8,400,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multimodal Transportation Account-State 01 - Taxes 01 - Retail Sales Tax</td>
<td>8,400,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total $</strong></td>
<td>16,800,000</td>
<td>25,600,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Estimated Expenditures from:

<table>
<thead>
<tr>
<th>Account</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>2019-21</th>
<th>2021-23</th>
<th>2023-25</th>
</tr>
</thead>
<tbody>
<tr>
<td>GF-STATE-State 001-1 FTE Staff Years</td>
<td>0.3</td>
<td>0.7</td>
<td>0.5</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td><strong>Total $</strong></td>
<td>103,400</td>
<td>72,800</td>
<td>176,200</td>
<td>16,600</td>
<td></td>
</tr>
</tbody>
</table>

Estimated Capital Budget Impact:

NONE

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:

- [x] 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.
- [x] 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).
- [x] Capital budget impact, complete Part IV.
- [ ] Requires new rule making, complete Part V.

Legislative Contact: Jeffrey Mitchell Phone: 360-786-7438 Date: 03/07/2020
Agency Preparation: Frank Wilson Phone: 360-534-1527 Date: 03/18/2020
Agency Approval: Don Gutmann Phone: 360-534-1510 Date: 03/18/2020
OFM Review: Ramona Nabors Phone: (360) 902-0547 Date: 03/22/2020

Request # 5628-2-2
Bill # 5628 S SB

FNS062 Department of Revenue Fiscal Note
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 a revision to the revenue impacts, and supersedes fiscal note number 5628-1.

CURRENT LAW:
Personal property held solely for sale or lease is exempt from property tax as inventory. However, leased or rented personal property is subject to property tax.

PROPOSED LAW:
Property Tax:
This bill exempts certain personal property from property tax as heavy equipment rental property when owned by a heavy equipment rental property dealer (dealer).

The bill defines heavy equipment rental property to mean equipment rented by a dealer that is:
- Mobile and not permanently affixed to real property;
- Customarily used for construction, earthmoving, or industrial applications (defined); and
- Rented without an operator.

The bill defines dealer for purposes of the exemption, and prohibits the exemption when a dealer rents to a person whom the heavy equipment rental property dealer is affiliated.

The bill requires a dealer to annually file an application for exemption to the county assessor with the dealer’s personal property listing.

Establishes penalties if a dealer claims an exemption but did not otherwise qualify.

Rental Tax:
The bill imposes, in addition to applicable state or local sales tax, a heavy equipment rental tax of 1.25% of the rental price of each rental in this state.

The bill requires that each dealer shall add the heavy equipment rental tax to the rental invoice of any rental subject to the rental tax. All rental taxes shall be reported and remitted to the Department of Revenue (Department) in a manner consistent with the reporting and remittance of state sales taxes consistent with the Department policy.

The bill also specifies the heavy equipment rental tax does not apply to the rental of heavy equipment directly related to the Federal government, the State, or any political subdivision.

The rental tax under the bill applies to all rentals where the customer picks up the equipment or qualified rental from a location where it is delivered in the state of Washington. The tax does not apply to rentals made in this State and delivered outside the State. The rental tax is not subject to state or local sales tax.

The tax preference provisions of RCW 82.32.805 and 82.32.808 do not apply to this act.

EFFECTIVE DATE:
This bill takes effect beginning with property taxes collected in Calendar Year 2022. The rental tax would be effective January 1, 2022.
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:

PROPERTY TAX
- Logging and farming equipment would be included in this exemption as “processing raw materials” equipment.
- There is additional value of heavy rental equipment in Washington that was not captured with the available data especially in the logging and farming industry. It is assumed that the identified equipment only equal 70% of the qualifying equipment in the state.
- Analysis of local property tax levies shows that with a new property tax exemption, 90 percent of local taxes would shift to non-exempt property owners and 10 percent of local taxes would decrease revenues for local taxing districts.
- The total estimated value exempted from the tax roll is $687 million.
- Based on five years of state property tax collections, 53.13 percent of state property tax collections occur in April and 46.87 percent occur in October. When converting from calendar year to fiscal year, this estimate assumes revenues shifts and losses follow this trend.

SALES/USE TAX
- This proposal passes, with the tax being effective January 1, 2022, impacting 5 months of collections in Fiscal Year 2022.
- Annual industry growth rate of 5%.
- Rentals to the federal government, the State, and political subdivisions of the State account for 24% of heavy equipment rental.
- Compliance:
  - 90 percent revenue collections in Fiscal Year 2022, and
  - 95 percent revenue collections in Fiscal Year 2023 and thereafter.

DATA SOURCES
- Economic and Revenue Forecast Council November 2019 forecasts
- Department of Revenue, State Property Tax Model
- IHS Markit
- Information provided by Bryon Moore.
- Several industry related websites
- County assessor data

REVENUE ESTIMATES
The Economic and Revenue Forecast Council predicts the state property tax levy remains below the $3.60 limit throughout the 2021-23 Biennium. Therefore, a new exemption beginning in 2022 or after results in a shift and no loss to the state levy.

This legislation results in a state levy shift to other taxpayers of an estimated $0.9 million for Fiscal Year 2022 and $1.8 million in Fiscal Year 2023, the first full fiscal year.

The rental tax will raise state revenues by $4.8 million in Fiscal Year 2022 and by $12 million in Fiscal Year 2023.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):
Local Government, if applicable (cash basis, $000):

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2020</td>
<td>$ 0</td>
</tr>
<tr>
<td>FY 2021</td>
<td>$ 0</td>
</tr>
<tr>
<td>FY 2022</td>
<td>$ 4,800</td>
</tr>
<tr>
<td>FY 2023</td>
<td>$ 12,000</td>
</tr>
<tr>
<td>FY 2024</td>
<td>$ 12,600</td>
</tr>
<tr>
<td>FY 2025</td>
<td>$ 13,300</td>
</tr>
</tbody>
</table>

Local Government, if applicable (cash basis, $000):

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2020</td>
<td>$ 0</td>
</tr>
<tr>
<td>FY 2021</td>
<td>$ 0</td>
</tr>
<tr>
<td>FY 2022</td>
<td>($150)</td>
</tr>
<tr>
<td>FY 2023</td>
<td>($283)</td>
</tr>
<tr>
<td>FY 2024</td>
<td>($286)</td>
</tr>
<tr>
<td>FY 2025</td>
<td>($291)</td>
</tr>
</tbody>
</table>

CALENDAR YEAR DETAIL:
DETAIL OF REVENUE IMPACT FOR PROPERTY TAX BILLS, Calendar Year Basis

State Government, Impact on Revenues ($000) None

State Government, ($000), Shift of Tax Burden

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CY 2020</td>
<td>$ 0</td>
</tr>
<tr>
<td>CY 2021</td>
<td>$ 0</td>
</tr>
<tr>
<td>CY 2022</td>
<td>$1,838</td>
</tr>
<tr>
<td>CY 2023</td>
<td>$1,822</td>
</tr>
<tr>
<td>CY 2024</td>
<td>$1,824</td>
</tr>
<tr>
<td>CY 2025</td>
<td>$1,836</td>
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</table>

Local Government, Impact on Revenues ($000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CY 2020</td>
<td>$ 0</td>
</tr>
<tr>
<td>CY 2021</td>
<td>$ 0</td>
</tr>
<tr>
<td>CY 2022</td>
<td>($282)</td>
</tr>
<tr>
<td>CY 2023</td>
<td>($284)</td>
</tr>
<tr>
<td>CY 2024</td>
<td>($288)</td>
</tr>
<tr>
<td>CY 2025</td>
<td>($294)</td>
</tr>
</tbody>
</table>

Local Government, ($000), Shift of Tax Burden

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CY 2020</td>
<td>$ 0</td>
</tr>
<tr>
<td>CY 2021</td>
<td>$ 0</td>
</tr>
<tr>
<td>CY 2022</td>
<td>$4,621</td>
</tr>
<tr>
<td>CY 2023</td>
<td>$4,678</td>
</tr>
<tr>
<td>CY 2024</td>
<td>$4,783</td>
</tr>
<tr>
<td>CY 2025</td>
<td>$4,919</td>
</tr>
</tbody>
</table>

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.

ASSUMPTIONS:
This bill affects 600 taxpayers.
FIRST YEAR COSTS:
The Department will incur total costs of $103,400 in Fiscal Year 2020. These costs include:

- Labor Costs - Time and effort equates to 0.3 FTEs.
  - Set up, program and test computer system changes.
  - Create a special notice and update website content.

- Object Costs - $71,000.
  - Contract computer programming.
  - Printing and postage.

SECOND YEAR COSTS:
The Department will incur total costs of $72,800 in Fiscal Year 2021. These costs include:

- Labor Costs - Time and effort equates to 0.7 FTEs.
  - Set up, program and test computer system changes.
  - Respond to additional telephone questions, email and written correspondence.

THIRD YEAR COSTS:
The Department will incur total costs of $13,300 in Fiscal Year 2022. These costs include:

- Labor Costs - Time and effort equates to 0.11 FTEs.
  - Create one administrative rule.

ONGOING COSTS:
There are no ongoing costs after Fiscal Year 2022.

**Part III: Expenditure Detail**

### III. A - Expenditures by Object Or Purpose

<table>
<thead>
<tr>
<th></th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>2019-21</th>
<th>2021-23</th>
<th>2023-25</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTE Staff Years</td>
<td>0.3</td>
<td>0.7</td>
<td>0.5</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>A-Salaries and Wages</td>
<td>20,800</td>
<td>46,300</td>
<td>67,100</td>
<td>10,900</td>
<td></td>
</tr>
<tr>
<td>B-Employee Benefits</td>
<td>6,200</td>
<td>13,900</td>
<td>20,100</td>
<td>3,200</td>
<td></td>
</tr>
<tr>
<td>C-Professional Service Contracts</td>
<td>70,400</td>
<td>70,400</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E-Goods and Other Services</td>
<td>4,000</td>
<td>8,000</td>
<td>12,000</td>
<td>1,600</td>
<td></td>
</tr>
<tr>
<td>J-Capital Outlays</td>
<td>2,000</td>
<td>4,600</td>
<td>6,600</td>
<td>900</td>
<td></td>
</tr>
<tr>
<td><strong>Total $</strong></td>
<td>$103,400</td>
<td>$72,800</td>
<td>$176,200</td>
<td>$16,600</td>
<td></td>
</tr>
</tbody>
</table>
III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

<table>
<thead>
<tr>
<th>Job Classification</th>
<th>Salary</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>2019-21</th>
<th>2021-23</th>
<th>2023-25</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMS BAND 4</td>
<td>119,061</td>
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<td></td>
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<tr>
<td>EMS BAND 5</td>
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<td>EXCISE TAX EX 2</td>
<td>52,536</td>
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<tr>
<td>IT QA-JOURNEY</td>
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<td>0.1</td>
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<td></td>
</tr>
<tr>
<td>MGMT ANALYST3</td>
<td>59,436</td>
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<tr>
<td>MGMT ANALYST4</td>
<td>68,892</td>
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</tr>
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<td>RECORDS MGMT SUPV</td>
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<td>TAX INFO SPEC 4</td>
<td>62,460</td>
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<tr>
<td>TAX POLICY SP 2</td>
<td>70,832</td>
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<td></td>
<td></td>
<td></td>
<td>0.0</td>
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</tr>
<tr>
<td>WMS BAND 3</td>
<td>101,257</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total FTEs</strong></td>
<td></td>
<td>0.3</td>
<td>0.7</td>
<td>0.5</td>
<td>0.1</td>
<td></td>
</tr>
</tbody>
</table>

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

NONE

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 adopt a new rule under WAC 458-20-NEW and the expedited process to amend WAC 458-20-217, titled: "Lien for Taxes". Persons affected by this rule making would include heavy equipment rental dealers and their customers.
LOCAL GOVERNMENT FISCAL NOTE
Department of Commerce

Bill Number: 5628 S SB  Title: Heavy equipment rental prop.

Part I: Jurisdiction—Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:
☑ Cities: Decrease in property tax revenue/ tax shift
☑ Counties: Decrease in property tax revenue/ tax shift
☑ Special Districts: Decrease in property tax revenue/ tax shift
☐ 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:

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>2019-21</th>
<th>2021-23</th>
<th>2023-25</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
<td></td>
<td></td>
<td>(121,474)</td>
<td>(161,872)</td>
<td></td>
</tr>
<tr>
<td>County</td>
<td></td>
<td></td>
<td>(148,621)</td>
<td>(198,047)</td>
<td></td>
</tr>
<tr>
<td>Special District</td>
<td></td>
<td></td>
<td>(162,905)</td>
<td>(217,081)</td>
<td></td>
</tr>
<tr>
<td>TOTAL $</td>
<td></td>
<td></td>
<td>(433,000)</td>
<td>(577,000)</td>
<td></td>
</tr>
<tr>
<td>GRAND TOTAL $</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(1,010,000)</td>
</tr>
</tbody>
</table>

Estimated expenditure impacts to:
None

Part III: Preparation and Approval

<table>
<thead>
<tr>
<th>Fiscal Note Analyst:</th>
<th>Phone: 360-725-5038</th>
<th>Date: 03/09/2020</th>
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</thead>
<tbody>
<tr>
<td>Tammi Vellinga</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leg. Committee Contact:</td>
<td>Jeffrey Mitchell</td>
<td>Phone: 360-786-7438</td>
</tr>
<tr>
<td>Agency Approval:</td>
<td>Allan Johnson</td>
<td>Phone: 360-725-5033</td>
</tr>
<tr>
<td>OFM Review:</td>
<td>Ramona Nabors</td>
<td>Phone: (360) 902-0547</td>
</tr>
</tbody>
</table>

FNS060 Local Government Fiscal Note
Part IV: Analysis

A. SUMMARY OF BILL

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

This bill amends RCW 82.32.145 and RCW 84.36, and adds a new chapter to RCW 82 that:
-- exempts “heavy equipment rental property,” as defined in the bill, owned by a heavy equipment rental property dealer from property tax beginning January 1, 2022
-- imposes a 1.25 percent heavy equipment rental tax on each rental of heavy equipment beginning January 1, 2022
-- distributes 50 percent of the heavy equipment rental tax to the Motor Vehicle Fund and 50 percent of the heavy equipment rental tax to the Multimodal Transportation Account

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.

This bill would not impact local government expenditures because no action is required.

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.

According to the Department of Revenue, the Economic and Revenue Forecast Council predicts the state property tax levy remains below the $3.60 limit throughout the 2021-23 Biennium. Therefore, a new exemption beginning in 2022 or after results in a shift and no loss to the state levy, but results in an estimated loss of $150,000 in FY 2022 for local governments.

This legislation results in a state levy shift to other taxpayers of an estimated $0.9 million for Fiscal Year 2022 and $1.8 million in Fiscal Year 2023, the first full fiscal year.

The rental tax will raise state revenues by $4.8 million in Fiscal Year 2022 and by $12 million in Fiscal Year 2023.

ASSUMPTIONS:

PROPERTY TAX
- Logging and farming equipment would be included in this exemption as “processing raw materials” equipment.
- There is additional value of heavy rental equipment in Washington that was not captured with the available data especially in the logging and farming industry. It is assumed that the identified equipment only equal 70% of the qualifying equipment in the state.
- Analysis of local property tax levies shows that with a new property tax exemption, 90 percent of local taxes would shift to non-exempt property owners and 10 percent of local taxes would decrease revenues for local taxing districts.
- The total estimated value exempted from the tax roll is $687 million.
- Based on five years of state property tax collections, 53.13 percent of state property tax collections occur in April and 46.87 percent occur in October. When converting from calendar year to fiscal year, this estimate assumes revenues shifts and losses follow this trend.

SALES/USE TAX
- This proposal passes, with the tax being effective January 1, 2022, impacting 5 months of collections in Fiscal Year 2022.
- Annual industry growth rate of 5%.
- Rentals to the federal government, the State, and political subdivisions of the State account for 24% of heavy equipment rental.
- Compliance:
  - 90 percent revenue collections in Fiscal Year 2022, and
  - 95 percent revenue collections in Fiscal Year 2023 and thereafter.

DATA SOURCES
- Economic and Revenue Forecast Council November 2019 forecasts
- Department of Revenue, State Property Tax Model
- IHS Markit
- Information provided by Bryon Moore.
- Several industry related websites
LOCAL GOVERNMENT IMPACT:

REVENUE LOSS

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SPECIAL DISTRICTS

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TAX SHIFT

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SPECIAL DISTRICTS

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ASSUMPTIONS AND METHODOLOGY:

Tax Shift and Revenue Loss:

Tax exemptions lower the taxable value against which taxing districts levy their taxes. When exemptions are enacted, taxing districts may compensate for the loss in taxable value by increasing the tax rate for taxpayers who are not eligible for the exemptions. Consequently, taxpayers who do not benefit from the exemption would pay a higher tax. This higher tax results in a tax shift from the exempt taxpayers to the non-exempt taxpayers. However, when a taxing district is restricted from increasing the tax rate due to a levy limit, the taxing district incurs a revenue loss. Local government revenue losses were computed by taking the DOR fiscal note data and multiplying the result by the property tax distribution for counties, cities and special districts. These percentages are derived from DOR Property Tax Statistics for 2018.

Calendar Year versus Fiscal Year:

Note that a tax shift is presented by calendar year (CY) and a revenue loss is presented by fiscal year (FY). Taxes are assessed and collected by the counties on a calendar-year basis. When a tax shift occurs, it is computed for the calendar year. Because revenue and expenditures are reported on a fiscal year basis, the revenue loss is also for a fiscal year. Tax shift figures for special districts include school districts; school districts do not experience a revenue loss.

SOURCES:

Department of Revenue fiscal note
Department of Revenue Property Tax Statistics (2018)
Local Government Fiscal Note, SB 5628, (2019)
Local Government Fiscal Note “Tax Shift and Revenue Loss Model” (2020)
Senate Bill Report, SSB 5628, Transportation Committee (2020)