

HOUSE BILL REPORT

HJR 4219

As Reported By House Committee On:
Revenue

Brief Description: Amending the constitution by authorizing the legislature to provide a homestead exemption for owner-occupied residences.

Sponsors: Representatives G. Fisher, Holm, Patterson, Campbell, Pruitt, Dunshee, Sheldon, Peery, Romero, Kremen, Kessler and Anderson.

Brief History:

Reported by House Committee on:
Revenue, January 28, 1994, DPS.

HOUSE COMMITTEE ON REVENUE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives G. Fisher, Chair; Holm, Vice Chair; Anderson; Brown; Caver; Leonard; Romero; Rust; Thibaudeau; Van Luven and Wang.

Minority Report: Do not pass. Signed by 5 members: Representatives Foreman, Ranking Minority Member; Fuhrman, Assistant Ranking Minority Member; Cothorn; Silver and Talcott.

Staff: Bob Longman and Rick Peterson (786-7150).

Background: The state constitution requires that taxes be uniformly applied to real estate. The constitution also permits the Legislature to provide exemptions from property taxes. There is some inconsistency between the uniformity clause and the exemption clause. This inconsistency has not been completely reconciled by court interpretations. Thus, questions remain about how far the Legislature can go under the exemption clause without violating the uniformity clause.

The Washington Constitution limits the total rate of regular property taxes that may be imposed on any property in any one year to an amount not exceeding 1 percent of the true and fair value of the property. Excess property tax levies may be imposed above the 1 percent limit with voter approval.

Summary of Substitute Bill: A constitutional amendment is submitted to the people at the next general election. The amendment expressly allows the Legislature to provide a homestead exemption for homeowners on their residences. The amount of the exemption may vary among counties according to the median value of homeowner property within each county. The constitutional amendment also authorizes the Legislature to establish a property tax deferral program for unemployed persons.

The constitutional amendment increases the 1 percent total regular property tax rate limit to 1.01 percent.

This constitutional amendment is implemented by HB 2672.

Substitute Bill Compared to Original Bill: The substitute bill contains all the material in the original bill and adds the authorization for a property tax deferral program for unemployed persons.

Fiscal Note: Available.

Effective Date of Substitute Bill: Thirty days after an affirmative vote of the people.

Testimony For: The homestead exemption provides broad-based relief to homeowners, with the greatest proportion of the relief going to low-valued homes. The homestead exemption provides twice the relief to the median-valued home than an equivalent across-the-board tax rate reduction. It is based on the value of homes in each county so therefore recognizes the wide variation in home values across the state. Homeowners have experienced rapid increases in property taxes due to rising assessments. Property taxes are shifting onto residential property. It is time to listen to the little person. This bill is for the homeowner. We need to make property taxes progressive. The bill should be expanded to include limits on valuation increases. Homeowners need relief now. County assessors support the concept of a homestead exemption but cannot implement it in time for the 1995 tax bill.

Testimony Against: The cost of any tax relief program must be viewed in light of the current budget situation. The amount of relief that the budget can afford will not provide enough tax relief to each homeowner. Washington's tax system needs major reform to create a balanced tax system that is fair and produces adequate revenue. This task still lies ahead. The business community is sympathetic to homeowners facing increased taxes but wants to preserve valuation at 100 percent of market value. It is not sound tax policy to shift taxes to non-homeowner property. The

underlying problem (increasing home prices) can be solved by increasing the supply of building lots to keep pace with the demand for residential housing. The bill will cause an increase in lease costs to businesses, especially small businesses with triple net leases. Property taxes should be shifted away from improvements (buildings) and onto land using a two-rate property tax with a higher rate on the land.

Witnesses: Greg Fisher, prime sponsor; Lynn Kessler, sponsor; Will Rice, Department of Revenue; Gladys Burns, People for Fair Taxes; David Miller, Normandy Park City Council; Vallana Piccolo, Johnson Point Homeowners Association; Gail Raush, Snohomish County Assessor; Earl Tower, Association of Washington Business; Terri Hotvedt, realtor; Russ Segner, Washington State Commercial Real Estate; Bonnie Baker-Minsh, Thurston County Assessor; Eugene A. Levin, People for Fair Taxes and Washington State Georgist Society; Cecil Peter Escalante, senior citizen; Arnold Fox, Washington Apartment Association; Jerry Starzel, Clallam County homeowner; Lynx Goring, King County Assessor's Office; Carol Belay, Kitsap County Assessor's Office; and Ben Guess, Clark County.