

# HOUSE BILL REPORT

## ESHB 1723

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**As Passed House:**

February 12, 2004

**Title:** An act relating to the property taxation of qualified historic property.

**Brief Description:** Exempting qualified historic property from the state property tax.

**Sponsors:** By House Committee on Finance (originally sponsored by Representatives Carrell, Gombosky, Talcott, Cairnes and Roach).

**Brief History:**

**Committee Activity:**

Finance: 2/20/03, 2/28/03 [DPS].

**Floor Activity:**

Passed House: 3/11/03, 84-9.

**Floor Activity:**

Passed House: 2/12/04, 90-3.

**Brief Summary of Engrossed Substitute Bill**

- Exempts historic property on which expenditures for maintenance and repairs exceed 10 percent of the assessed value of the residential structure from the state property tax.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Gombosky, Chair; McIntire, Vice Chair; Cairnes, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern, Conway, Morris, Roach and Santos.

**Staff:** Rick Peterson (786-7150).

**Background:**

All real and personal property in this state is subject to property tax each year based on its value unless a specific exemption is provided by law. Qualifying historic buildings are eligible for a "special valuation" for property tax levies for a 10-year period after

they qualify. This special valuation is equal to the building's assessed value less the costs of restoring or rehabilitating the property. These costs must be equal to at least 25 percent of the assessed value of the property (exclusive of the value attributable to land) before restoration or rehabilitation. Historic property must be listed on a local list of historic places or the national register of historic places.

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**Summary of Engrossed Substitute Bill:**

An additional property tax exemption is provided to qualified historic property. Historic property on which expenditures for maintenance and repairs exceed 10 percent of the assessed value of the residential structure are eligible for a property tax exemption on the state property tax. The property tax exemption is good for one year. The exemption may be taken only once in a five year period. Maintenance costs that exceed 10 percent may be carried forward for application in future years. The property must be listed on the Washington heritage register or the National Register of Historic Places. The property must be residential property occupied by the owner. Maintenance and repair activity must comply with minimum standards that protect the elements which qualify the property as historically significant.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** This bill will encourage the preservation of historic buildings. It is in the public interest to preserve them rather than wait until major restoration is needed. The bill will encourage property owners to maintain their property so that the value on the property tax roll will be maintained. This is only an exemption from the state property tax and does not reduce local revenue. Sometimes these historic properties deteriorate to the point that cities acquire them and must tear them down. Maintaining and preserving these historic properties will keep them on the property tax rolls. There are a few technical amendments requested by the Department of Revenue to clarify the administration of the exemption.

**Testimony Against:** None.

**Testified:** Bob Mack, City of Lakewood.