

HOUSE BILL REPORT

HB 3063

As Reported by House Committee On:

Finance

Title: An act relating to the six-year review of property tax exemptions.

Brief Description: Requiring a six-year review of property tax exemptions.

Sponsors: Representatives Morris and Hunt.

Brief History:

Committee Activity:

Finance: 2/5/04 [DPS].

Brief Summary of Substitute Bill

- Requires the Joint Legislative Audit and Review Committee to review property tax exemptions every six years.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 5 members: Representatives McIntire, Chair; Hunter, Vice Chair; Conway, Morris and Santos.

Minority Report: Do not pass. Signed by 4 members: Representatives Cairnes, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern and Roach.

Staff: Bob Longman (786-7139).

Background:

Tax exemptions, exclusions, deductions, credits, deferrals, and preferential rates are known as tax preferences. The Department of Revenue publishes a report on tax preferences every four years. The report covers more than 400 tax preferences and describes each preference, the year of enactment, the purpose of the preference (or the Department's best guess), an indication of primary beneficiaries, and estimated fiscal impact.

In 1982 the Legislature enacted legislation that initiated a sunset review of tax preferences. The legislation directed the Joint Select Committee on Sunset to prepare a bill that would terminate all tax preferences over a period of four years. If this termination bill had been subsequently enacted, the Legislative Budget Committee (LBC), now known as the Joint Legislative Audit and Review Committee (JLARC) would have been required to review each preference before its termination date and report back to the Legislature. The termination bill was not enacted, and the LBC did not conduct tax preference reviews. The statute directing LBC to review tax preferences is still on the books, but is inactive because the review was structured to take place only if a tax preference termination schedule is enacted by the Legislature.

Summary of Substitute Bill:

The JLARC must review property tax preferences every six years and submit a report to the Legislature by June 30 of the year of review. The review will not include any tax preferences in effect less than two years. The review must address factors such as the persons directly affected by the preference, the amount and distribution of taxes involved, and legislative objectives of the preference.

Obsolete statutes related to the 1982 sunset review of tax preferences are repealed.

Substitute Bill Compared to Original Bill:

The substitute bill expands the review to include all property tax preferences, not just those in one chapter of the RCW, and repeals obsolete tax preference review statutes.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This bill is a high priority for county assessors. It has been endorsed by unanimous vote of the executive board of the Washington Association of County Officials. The bill would not terminate any exemptions. It provides for a long-overdue review of the effect of exemptions on the property tax system. The total amount of property tax exemptions is astounding. Exemptions should not be allowed to continue to proliferate without periodic review.

Testimony Against: None.

Persons Testifying: (In support) Representative Morris, prime sponsor; Scott Noble, Washington Association of County Assessors; Michelle Hagen, Washington Association of County Officials; and Jack Westerman, III, Jefferson County.

Persons Signed In To Testify But Not Testifying: None.