

HOUSE BILL REPORT

HB 1723

As Reported by House Committee On:

Finance

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

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

Sponsors: Representatives Carrell, Gombosky, Talcott, Cairnes and Roach.

Brief History:

Committee Activity:

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

Brief Summary of 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.

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.

Summary of 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 must be listed on a local register of historic places, 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.

Substitute Bill Compared to Original Bill:

The substitute limits the measure of maintenance and repair expenses to out-of-pocket spending by owner. It makes clear that taxes are reduced in the year following application. It clarifies that the costs for maintenance and repair are compared to the assessed value of the improvements in the year of application for the exemption. And, it only allows expenses incurred after January 1, 2003 to qualify for the program.

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 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.