

SENATE BILL REPORT

SB 5187

As Reported By Senate Committee On:
Ways & Means, March 5, 2007

Title: An act relating to exempting a portion of the valuation of residential property from property taxation.

Brief Description: Exempting a portion of the valuation of residential property from property taxation.

Sponsors: Senators Haugen, Oemig, Kline, Marr, Kauffman, Keiser, Kilmer, Pridemore, Spanel, Jacobsen and Rasmussen.

Brief History:

Committee Activity: Ways & Means: 2/15/07, 3/05/07 [DPS, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5187 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Pridemore, Vice Chair, Operating Budget; Carrell, Fairley, Hatfield, Hobbs, Keiser, Oemig, Rasmussen, Regala and Rockefeller.

Minority Report: That it be referred without recommendation.

Signed by Senators Zarelli, Ranking Minority Member; Brandland, Hewitt, Honeyford, Parlette, Roach and Schoesler.

Staff: Dianne Criswell (786-7433)

Background: All real and personal property in Washington State is subject to property tax, unless a specific exemption is provided by law. For example, Article 7, section 1 of the State Constitution exempts property of the United States, Washington State, counties, cities, and other local districts. The State Constitution also authorizes the Legislature to exempt other property by general law, with certain restrictions.

Property taxes are calculated by multiplying a tax rate by the assessed value of each property. By statute, assessed value must be equal to 100 percent of the fair market value of the property, unless the property qualifies under a special tax relief program. Article 7, section 1 of the State Constitution provides that all taxes must be uniform on the same class of property. This means that taxes must be the same on property of the same value and requires both an equal rate and equality in valuing the property taxed.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill: A homestead exemption equal to the first \$50,000 of valuation from state property taxes imposed on real property occupied as the owner's principal residence is provided. Persons claiming the homestead exemption must file an application. Once granted, the homestead exemption continues as long as the property is eligible and does not require renewal application. Homestead exemptions apply to the state levy only; thus, there will be no fiscal impact on local taxing districts. This bill requires an amendment be submitted to the voters at the next general election. If approved, the bill would become effective for assessments in 2007 and taxes due in 2008.

EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Ways & Means): The amount of the homestead exemption is changed from \$50,000 of valuation to \$75,000 of value exempted from the state portion of the property tax. The requirement that the residence be owner-occupied is removed. Application is no longer required; the homestead exemption will apply to all residential property that has two or fewer units. Expressly authorizes the board of equalization to have jurisdiction over appeals. The effective date is changed from taxes due in 2008, to taxes due in 2009, to allow time for implementation after the public vote on the constitutional amendment (SJR 8210) in November 2007.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect for taxes levied for collection in 2008 and thereafter, if a proposed amendment to Article VII of the State Constitution is approved by the voters at the next general election.

Staff Summary of Public Testimony: PRO: This is voters' number one issue. In the last years, there have been huge increases in residential home values. This is impacting all sorts of homeowners, including people of modest incomes and first time homebuyers. It is time to make a change. We need some property tax relief options. Other states have addressed these problems by adopting residential property tax homestead exemptions. Some people are concerned about a split tax roll between residential and commercial property. A homestead exemption will help level out the trend that the tax burden has increasingly fallen on residential property.

CON: Other kinds of homestead and property tax exemptions would be better answers to the tax burden on lower income homeowners. Instead of a blanket \$50,000 exemption, an exemption could be based on median property value. Also, an inflationary measure should be added so that an exemption would not stay flat. These kinds of proposals are important to prevent a taxpayer revolt.

Persons Testifying: PRO: Senator Haugen, prime sponsor; Barbara Flye, Washington Tax Fairness Coalition; Al Williams, citizen.

CON: Amber Carter, Association of Washington Business; Tim Eyman, Taxpayer Protection Initiative; Steve Zemke, Taxpayers for Washington Future.