

SENATE BILL REPORT

SB 5043

As of February 15, 2013

Title: An act relating to narrowing the property tax exemption for intangibles.

Brief Description: Narrowing the property tax exemption for intangibles.

Sponsors: Senators Hasegawa and Kline.

Brief History:

Committee Activity: Ways & Means: 2/14/13.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Juliana Roe (786-7438)

Background: All real and personal property is subject to property tax each year based on its value, unless a specific exemption is provided by law. Intangible personal property is exempt from taxation.

Intangible personal property includes any monies and credits including mortgages; notes; accounts; certificates of deposit; tax certificates; judgments; state, county, and municipal bonds and warrants; bonds and warrants of other taxing districts, the United States, and of foreign countries or political subdivisions thereof; and the bonds, stocks, or shares of private corporations.

Summary of Bill: Certain intangible personal property assessed at over \$1 million is taxable, including: certificates of deposit; state, county, and municipal bonds and warrants; bonds and warrants of other taxing districts, the United States, and of foreign countries or political subdivisions thereof; and the bonds, stocks, or shares of private corporations. The first \$1 million of assessed value remains exempt.

Appropriation: None.

Fiscal Note: Requested on February 8, 2013.

Committee/Commission/Task Force Created: No.

Effective Date: This applies to taxes levied for collection in 2014 and thereafter.

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.

Staff Summary of Public Testimony: PRO: This bill gives everyone \$1 million deduction. It eliminates the exemption for a subset of intangible personal property owners whose qualifying intangibles are worth more than \$1 million. It will have a net effect of lowering everyone else's property taxes. It raises a little bit of money because it expands the base.

There is a problem of wealth inequality in this nation. The middle class has not seen an increase in its wealth. They are merely making do. The state needs to deal with what boils down to an issue of fairness. It needs to determine what type of tax system is fair for everyone. Lower income people currently pay a larger percentage of their wealth in taxes than do those who are wealthy. The Tax Foundation has ranked Washington 29th in the country in terms of state and local taxes per capita. Washington is not an overtaxed state relative to other states.

CON: Many of us have investments. This bill opens up a can of worms and is not well thought through. Right now you want to tax intangibles, then maybe the income from intangibles. Next it will be the bank account in which you are saving your money from selling your house. This bill leads to great concerns.

OTHER: There are several administrative issues with this bill. There is no way to know who has intangibles worth over \$1 million. There is no mechanism in place to follow through, to identify these folks, or to contact them. There is no appeals process. We do not know what intangibles look like or where they are located. What if the intangibles are in another state, will this matter? This bill needs some more work.

Persons Testifying: PRO: Senator Hasegawa, prime sponsor; Steve Zemke, citizen.

CON: Sharon Hanek, citizen.

OTHER: Monty Cobb, WA Assn. of County Officials.