

SENATE BILL REPORT

SHB 2597

As of February 20, 2018

Title: An act relating to extending the existing state property tax exemption for residences of senior citizens and disabled persons to local regular property taxes.

Brief Description: Extending the existing state property tax exemption for residences of senior citizens and disabled persons to local regular property taxes.

Sponsors: House Committee on Finance (originally sponsored by Representatives Sullivan, Wylie, Slatter, Sawyer, Stanford, Pollet, Kloba, Bergquist, Ormsby, Kilduff and Macri).

Brief History: Passed House: 2/14/18, 96-2.

Committee Activity: Local Government: 2/20/18.

Brief Summary of Bill

- Allows local government levy lid lift amounts to be fully exempted under the property tax exemption program when the lid lift amount is identified in the ordinance placing the lid lift on a ballot.

SENATE COMMITTEE ON LOCAL GOVERNMENT

Staff: Bonnie Kim (786-7316)

Background: Property Tax. All property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law.

The Washington Constitution limits regular property tax levies (regular levies) to a maximum of 1 percent of the property's value—\$10 per \$1,000 of assessed value. The Legislature has established individual district rate maximums and aggregate rate maximums to keep the total tax rate for regular property taxes within the constitutional limit.

The annual growth of regular levy revenue is limited to the lesser of inflation or 1 percent, plus the value of new construction for jurisdictions with a population of 10,000 or more. For jurisdictions with a population less than 10,000, revenue growth is limited to 1 percent.

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.

Jurisdictions levying a property tax rate less than their statutory maximum may exceed the levy growth limit with approval from a simple majority of the district's voters. The ballot title must contain the proposed levy rate for the first year of the lid lift and may include a dedicated purpose for the proceeds. Levies may exceed the revenue limit for one year, defined as a single year lid lift, or up to six consecutive years, defined as a multiple year lid lift.

Additionally, the impact of the lid lift can temporarily or permanently impact future levy calculations. If the impact is temporary, the levy limit in future years will be calculated as though a lid lift never occurred. If the impact is permanent, the final levy is used to calculate the future levy limit. The lid lift is temporary unless the ballot title specifies the lid lift will permanently impact levy calculations. If the lid lift proceeds are dedicated to pay bond service, the duration of the increased levy cannot exceed nine years.

In the third special session of 2017, the Legislature enacted EHB 2242. This legislation increased and revised funding for K-12 education. As part of EHB 2242, an additional state property tax for common schools was established bringing the total state property tax rate to \$2.70 per \$1,000 of assessed value. The additional state property tax rate is approximately \$0.81 higher than the state property tax rate for 2017, and took effect with taxes levied for collection in calendar year 2018.

Property Tax Exemption. Authorized by a constitutional amendment, qualifying senior citizens, persons retired due to disability, and veterans entitled to and receiving compensation from the United States Department of Veterans Affairs at a total disability rating for a service-connected disability, are entitled to property tax relief on their principal residence. To qualify, a person must be 61 years old in the year of the application or retired from employment because of disability; own their principal residence; and have a combined disposable income of less than \$40,000 a year. Eligible individuals are exempt from all school district levies and a portion of the state property tax. Eligible individuals are also eligible for a partial property tax exemption on other property taxes and a valuation freeze depending on the degree to which their income is below the \$40,000 threshold.

Summary of Bill: For persons who otherwise qualify for the property tax exemption program, local government levy lid lift amounts are completely exempt from property tax if the city or county identifies the exemption in the ordinance placing the lid lift on the ballot.

Appropriation: None.

Fiscal Note: Requested on February 16, 2018.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.