
Finance Committee

HB 1790

Brief Description: Promoting affordable housing in unincorporated areas of rural counties within urban growth areas.

Sponsors: Representatives Griffey, MacEwen and Barkis.

Brief Summary of Bill

- Extends the application deadline and expiration date for the multi-unit urban housing property tax exemption from 2020 to 2025.
- Applies the tax preference performance statement to the application procedure section.

Hearing Date: 2/14/19

Staff: Richelle Geiger (786-7139).

Background:

Property Tax - Regular Levies.

All real property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The annual growth of all regular property tax levy revenue other than the state levies is limited as follows:

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

The state collects two regular property tax levies for common schools. The original state levy was first imposed when Washington achieved statehood in 1889. In 2017 the Legislature adopted Engrossed House Bill 2242, which created the additional state levy. For taxes levied for collection in calendar years 2018, 2020, and 2021, the combined rate for both state levies is \$2.70 per \$1,000 AV. For taxes levied for collection in calendar year 2019, the combined rate for

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both state levies is \$2.40 per \$1,000 AV. The revenue growth limit does not apply to the state levies during this time. Beginning with taxes levied for collection in calendar year 2022 and thereafter, the revenue growth limit applies to both levies. Participants in the senior citizens, individuals with disabilities, and qualifying veterans property tax exemption program receive a partial exemption from the original state levy and a full exemption from the additional state levy.

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

- The state levy rate is limited to \$3.60 per \$1,000 of assessed value.
- County general levies are limited to \$1.80 per \$1,000 of assessed value.
- County road levies are limited to \$2.25 per \$1,000 of assessed value.
- City levies are limited to \$3.375 per \$1,000 of assessed value.

For property tax purposes, the state, counties, and cities, with respect to the levies listed above, are collectively referred to as senior taxing districts. Junior taxing districts—a term that includes fire, hospital, flood control zone, and most other special purpose districts—each have specific rate limits as well.

The tax rates for senior and junior taxing districts, excluding the state, must fit within an overall rate limit of \$5.90 per \$1,000 of assessed value. If the statutory \$5.90 or constitutional \$10 limit are exceeded, statute establishes the sequential order in which the levies must be proportionally reduced or eliminated (a process referred to as prorationing) to conform to the statutory and constitutional limits.

Some regular property tax levies—including levies for criminal justice purposes, port districts, and emergency medical services—are subject to the \$10 constitutional limit but not the \$5.90 aggregate rate limit. These levies have protections from general prorationing requirements and exist within the "gap" that remains after subtracting the state levy and the \$5.90 in local regular levies from the constitutional \$10 limit per \$1,000 of assessed value.

Property Tax - Excess Levies.

Excess levies are imposed in addition to regular levies and are not subject to the constitutional \$10 limit. Taxing jurisdictions with excess levy authority include local school districts, public facilities districts, and transportation benefit districts. Most excess levies require a 60 percent voter approval. Local school district levies for operation, transportation, and capital projects require simple majority voter approval.

Multi-Unit Urban Housing Property Tax Exemption.

Eligible real property associated with the construction, conversion, or rehabilitation of qualified, multi-unit residential structures located in residential targeted areas (RTA) contained within an urban growth center is exempt from property tax for up to 12 years. The tax exemption applies to the value of the construction or rehabilitation projects only, and does not exempt the value of the underlying property. The tax exemption on a qualifying property lasts for eight consecutive years. However, the exemption is extended to 12 years if the owner commits to renting or selling at least 20 percent of the units as affordable housing to low or moderate-income households.

Qualifying cities and towns that may designated RTAs include:

- cities or towns with a population of at least 15,000;
- the largest city or town located in a county planning under the Growth Management Act, if there is no city or town with a population of at least 15,000; or
- cities or towns with a population of at least 5,000 located in a county that participates in the Buildable Lands Program.

County-designated RTAs must be in an unincorporated area of the county, within an urban growth area:

- in a county with an unincorporated population over 350,000 that includes a college campus where at least 1,200 students live; or
- that was designated before January 1, 2013 and within a rural county with a population between 50,000 and 71,000 that borders the Puget Sound.

The property tax exemption for properties located in rural counties that was established in 2014, expires on January 1, 2020.

Summary of Bill:

The application deadline and expiration date for the property tax exemption for multi-unit residential housing projects in eligible rural areas is extended from January 1, 2020 to January 1, 2025.

Appropriation: None.

Fiscal Note: Available.

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