

# HOUSE BILL REPORT

## HJR 4206

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**As Reported by House Committee On:**  
Finance

**Brief Description:** Concerning the taxation of personal property.

**Sponsors:** Representatives Leavitt, Christian, Couture, Rule, Low, Orwall, Hutchins, Springer, Dent, Duerr, Schmidt, Shavers, Barnard, Walen, Timmons, Ryu, Bronoske, Chapman, Santos and Cheney.

**Brief History:**

**Committee Activity:**

Finance: 2/14/23, 2/22/23 [DP].

**Brief Summary of Joint Resolution**

- Amends the Washington Constitution to expand the personal property tax exemption.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 12 members: Representatives Berg, Chair; Street, Vice Chair; Jacobsen, Assistant Ranking Minority Member; Barnard, Chopp, Ramel, Santos, Springer, Stokesbary, Thai, Walen and Wylie.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Orcutt, Ranking Minority Member.

**Staff:** Tracey Taylor (786-7152).

**Background:**

State Constitution and Property Taxes.  
*Uniformity (Article VII, Section 1).*

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

The Washington Constitution (Constitution) requires all taxes to be applied uniformly on property within each taxing district. However, the Legislature may exempt certain property from taxation. All real and personal property in the state is subject to the state property tax, unless specifically exempted under law. Property taxes are based on the assessed fair market value of the property. The Legislature has the power, by appropriate legislation, to exempt personal property to the amount of \$15,000 for each head of family liable to assessment and taxation.

*Limits (Article VII, Section 2).*

The Constitution also limits regular property tax levies to a maximum of 1 percent of a property's Assessed Value (AV). This applies collectively to the total taxes levied by the state, local governments, and any other agencies with taxing authority. However, the Constitution specifically exempts port and utility districts from this limitation.

To keep the total tax rate within the 1 percent limit, the Legislature has established individual and aggregate limits for the various tax districts. The tax levy maximum assessed by the state is set at \$3.60 per \$1,000 of the AV. The state levy takes precedence over all other levies. Most of the remaining local tax districts must share an overall maximum rate of \$5.90 per \$1,000 of the AV.

*Apportionment (Article VII, Section 6; Article VIII, Section 4).*

All taxes collected for state purposes must be paid to the State Treasury. Money paid out of the treasury must be appropriated by law.

Personal Property.

Most personal property owned by an individual is exempt from property taxes. For example, household goods and effects are not subject to property tax; however, if these items are used in a business, the items are subject to property tax. Personal property tax does not apply to business inventories or intangible property, including copyright and trademarks. Personal property subject to property tax includes machinery, equipment, furniture and supplies of businesses and farmers.

Personal property is subject to the same levy rate as real property. The county assessor is responsible for the assessment of real and personal property, including the calculation of taxes. The county treasurer is responsible for the billing and collection of the real and personal property taxes.

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**Summary of Bill:**

The Constitution is amended to increase the personal property exemption from \$15,000 to \$40,000. The head of family restriction is removed.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Staff Summary of Public Testimony:**

(In support) This bill streamlines government while helping out small businesses. Administration of the personal property tax requires a great deal of county assessor's staff time and resources; however, it does not generate many tax revenues. The threshold has not been increased in quite a few years. As a result, one purchase of equipment can place a small business owner from a personal property tax exemption into owing personal property taxes. This bill reflects the work of a bipartisan group of stakeholders over the past few years. The passage of this bill and the accompanying House Joint Resolution will help out small businesses and our county assessors.

(Opposed) This is an unseemly attempt to buy off the opposition to other proposed tax increases. The Legislature is only interested in taking wealth from those who earned it and giving it to those who have not. This is jealousy, envy, greed and coveting on a biblical scale.

**Persons Testifying:** (In support) Representative Mari Leavitt, prime sponsor; Patrick Connor, National Federation of Independent Businesses; Tom Konis, Spokane County; and Mark Johnson, Washington Retail Association.

(Opposed) Tim Eyman, Permanent Offense; and Laurie Layne.

**Persons Signed In To Testify But Not Testifying:** None.