SENATE BILL REPORT
SB 5770

As of February 25, 2025

Title: An act relating to providing housing safety, security, and protection by creating the primary residence property tax exemption.

Brief Description: Providing housing safety, security, and protection by creating the primary residence property tax exemption.

Sponsors: Senators Robinson, Cleveland, Conway, Cortes, Dhingra, Frame, Hasegawa, Kauffman, Krishnadasan, Liias, Nobles, Pedersen, Riccelli, Saldaña, Slatter, Stanford, Trudeau, Valdez and Wilson, C..

Brief History:
Committee Activity: Ways & Means: 2/25/25.

Brief Summary of Bill

- Exempts a portion of assessed value with respect to the state property tax equal to the greater of $100,000 or 60 percent of the county median home value.
- Establishes a state funding mechanism to assist counties with the cost of administering the exemption.
- Makes the bill contingent on the passage of a Washington State Constitutional Amendment.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Jeffrey Mitchell (786-7438)

Background: The Washington State Constitution (Constitution) requires that state and local property taxes be uniform within each class of property. Real property constitutes a single class of property under the Constitution. Uniformity requires both an equal rate of

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tax and equality in valuing the property. Under the Constitution, the Legislature may, by general laws, exempt property from taxation. Based on the uniformity requirement, differential treatment of different types of real property is disallowed.

All real and personal property in the state is subject to property tax each year based on its value, unless a specific exemption is provided by law. The Constitution limits regular property tax levies to a maximum of 1 percent of the property's value. Excess levies are not subject to this constitutional limit and require voter approval. There are statutory rate maximums for individual taxing districts and aggregate rate maximums to keep the total tax rate of regular property taxes within the constitutional limit.

All regular levies are subject to a statutory annual revenue growth limit. If a taxing authority has a population of 10,000 or more, the revenue growth limit is the lesser of inflation or 1 percent plus the valuation of new construction. This is the annual revenue growth limit applicable to state property taxes. If the taxing authority has a population of less than 10,000, the revenue growth limit is 1 percent plus the value of new construction.

The state collects two regular property tax levies for common schools. The original state levy predates statehood in 1889. In 2017 the Legislature created a second state levy. The combined statutory maximum rate for the state property tax is $3.60 per $1,000 market value. For taxes levied for collection in calendar years 2018, 2020, and 2021, the combined rate for both state levies was $2.70 per $1,000 of assessed value (AV). For taxes levied for collection in calendar year 2019, the combined rate for both state levies was $2.40 per $1,000 AV. The revenue growth limit did 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 and the rate is calculated based on the total levy amount. The current combined state property tax rate for 2025 is $2.36 per $1,000 AV.

Current law does not provide for a primary residence property tax exemption.

Summary of Bill: A primary residence property tax exemption is created that would exempt a portion of the AV of a residence. The exemption amount is the greater of $100,000 or 60 percent of the county median home value as of the most recent data published by the Department of Revenue (DOR), rounded to the nearest $1,000. The DOR must adjust the percent of the median value exempted downward if part 1 and part 2 of the state school levy are expected to exceed the combined statutory maximum rate of $3.60 per $1,000 market value.

The primary residence property tax exemption would be administered by DOR and local county assessors. The DOR will process exemption applications submitted by residential property owners. DOR will provide the county assessors with a list of all claimants, also known as applicants, parcels and other information necessary for the assessors to incorporate eligible properties on the county tax rolls. A claimant or the claimant's designated agent or legal representative must sign the application attesting that the property for which the primary residence property tax exemption is sought is the claimant's principal place of residence

The exemption cannot exceed the value of a parcel and does not apply to any local property tax levies.

The primary residence property tax exemption is limited to only one residential parcel owned in fee or by contract purchase as the claimant's principal residence. A principal residence includes:
- residential parcels consisting of less than five dwelling units, including single-family dwellings on government and tribal owned land, and mobile homes fixed in location;
- residential units in a multiunit residential dwelling, provided each unit is owned and taxed separately;
- residential floating homes;
- residences in cooperative housing associations and mobile and manufactured home park cooperatives if the exemption passes through to the claimant; and
- life estates under certain criteria.

The primary residence property tax exemption:
- requires a claimant to file a signed application with the DOR by April 1st of the year preceding the first year the property owner would benefit from the exemption;
- the exemption remains in place until the property is sold, transferred, or the claimant no longer qualifies due to a change of use as a principal place of residence;
- requires a claimant to immediately inform the county assessor, on forms created or approved by DOR, of any change in status affecting the claimant's entitlement to a principal residence property tax exemption;
- is in addition to the Senior Citizens and People with Disabilities Property Tax Exemptions;
- provides an appeal process for claimants who are denied an exemption; and
- provides a mechanism to recover taxes exempted in error by a claimant, including interest but not penalties.

The proposal requires an amendment to the Constitution and voter approval of the amendment in November 2025.

This proposal creates a Primary Residence Property Tax Exemption Administration Account. Funding for the account is through appropriation from the Legislature and is distributed to counties to assist in the cost of administering the exemption. The funds paid to counties will be $10.00 for the estimated initial year exemptions, and $5.00 for each application in subsequent years.

The bill applies to state property taxes levied for collection in 2028 and thereafter.

The new tax preference performance provisions do not apply to this bill.

Appropriation: None.

Fiscal Note: Available.

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

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

Staff Summary of Public Testimony: PRO: This bill represents critical tax relief for thousands of homeowners. Washington is one the few states that does not offer property tax relief to working family home owners. About 72 percent of the property taxes collected in King County is from residential property owners. Residential taxpayers should normally pay about 60 percent. This dramatic shift is a result of the pandemic and the commercial market upheaval. This bill will create a more fair and equitable tax system. This bill will affect almost 500,000 homeowners in King County and reduce the taxable value of an individual home by approximately $425,000. It would provide substantial property tax relief without impacting K-12 education funding. This bill provides much needed tax relief to working families that have been impacted by inflation. Most of the assessors support the policy of the bill, but are very concerned about the details. The bill should require a Social Security number for every owner to ensure that a person is not benefitting on multiple exemption claims. DOR should transmit data to assessors after removing Social Security numbers since many counties don't have access to the same level of security as the state.

Outreach will be expensive and needs to be addressed. State funding to defray county administrative costs must be directed to a dedicated assessor account. The county funding mechanism is based on new claims but there will be a lot of work when property is transferred or this is some other change in ownership.

OTHER: This is a departure from our normal tax administration system, which is typically business focused. We would suggest that you provide the department funding and authority to begin preparations prior to the November ballot measure.

Persons Testifying: PRO: John Wilson, Office of Assessments-King County Assessor ; Linda Hjelle, Snohomish County Assessor; Eli Taylor Goss, WA State Budget and Policy Center.

OTHER: Steven Drew, WA Assoc of Assessors legislative co-chair; Steve Ewing, Dept. of Revenue.

Persons Signed In To Testify But Not Testifying: No one.