

SENATE BILL REPORT

SB 6276

As of February 3, 2016

Title: An act relating to the authorization for a local jurisdiction to exempt certain residences from local property taxation under a residential energy efficiency incentive pilot program.

Brief Description: Concerning the authorization for a local jurisdiction to exempt certain residences from local property taxation under a residential energy efficiency incentive pilot program.

Sponsors: Senators Roach, Lias, McCoy and McAuliffe.

Brief History:

Committee Activity: Government Operations & Security: 1/19/16.

SENATE COMMITTEE ON GOVERNMENT OPERATIONS & SECURITY

Staff: Alex Kearns (786-7416)

Background: All real and personal property in the state is subject to property tax each year based on its fair market value, unless a specific exemption is provided by law. The Washington State Constitution limits the sum of regular property taxes imposed by taxing districts to \$10 per \$1000 of market value. Levies that are subject to this 1 percent rate limitation are known as regular levies. A county may impose a regular levy of up to \$1.80 per \$1,000 of assessed value. A city may impose a regular levy of up to \$3.375 per \$1,000 of assessed value. Levies that are not subject to the 1 percent rate limitation are known as excess levies, which require voter approval in order to be imposed.

The Washington State Constitution gives the Legislature the power to exempt property from taxation. Such an exemption qualifies as a tax preference, which are enacted to meet objectives the Legislature has determined to be in the public interest. All new tax preference legislation must include a tax preference performance statement that states the objective of the tax preference and outlines specific metrics used to evaluate the efficacy of the tax preference.

Summary of Bill: A residential energy efficiency incentive pilot program (Pilot Program) is created that authorizes a city or county to exempt qualifying low and moderate-income owners of single family residences and qualifying owners of multiple family buildings - collectively referred to as Taxpayers - from a city or county's property tax. Taxpayers may

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qualify for an exemption under the Pilot Program if they implement an eligible retrofit project or build an eligible structure through a new construction project.

A city or county is authorized to:

- exempt the owner of an eligible preexisting residence from local property taxes for a period of time ranging from four to eight successive years, depending on the expected percent decrease in energy consumption as a result of a retrofit project;
- exempt the owner of a newly constructed multi-family building from local property taxes for four successive years if the new construction meets the requirements for green building certification and rents or sells at least 10 percent of its total units as affordable housing;
- exempt the owner of a newly constructed multi-family building from local property taxes for eight successive years if the new construction qualifies as a net-zero energy building and rents or sells at least 10 percent of its total units as affordable housing; and
- extend preexisting multi-family building tax exemptions for an additional four years if at least 20 percent of total units are sold or rented as affordable housing.

A Taxpayer must file information regarding their energy consumption, energy costs and retrofit project details with the participating city or county by April 1, after the first 12 months of exemption have elapsed.

All participating cities and counties must submit an annual report to the Department of Commerce by December 31 of each year.

The Department of Commerce must create a list of approved energy modeling techniques that can be used to determine projected reductions in energy consumption and a list of approved green building certifications to determine eligibility for new construction. The Department of Commerce must submit a report on the pilot program to the Legislature by December 31, 2019.

Appropriation: None.

Fiscal Note: Requested on 1/15/16.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: This bill aims to address the split incentive problem that currently exists between landlords and tenants, where the landlord is paying the property tax and the tenant is seeing the utility bill savings. This exemption would unify that loop so that a landlord would pay for the initial cost of an upgrade and then receive a property tax break in support of that upgrade. Many cities and counties have adopted ambitious carbon reduction goals and this gives those jurisdictions tools and creative incentives to get some data about energy consumption and cost. The point of the bill is to get a pilot program on the books that can address the diverse building stock. That's why this is a pilot program that only lasts six years. This can be used as a demonstration to show what is

possible moving forward, which is very important to the development of clean economies and the cities and states of the future.

Persons Testifying: PRO: JJ McCoy, NW Energy Coalition; Jessie Turner.

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