

HOUSE BILL REPORT

HB 3164

As Reported by House Committee On:
Finance

Title: An act relating to an increase in the personal property tax exemption for the head of a family.

Brief Description: Increasing the personal property exemption for the head of a family.

Sponsors: Representatives Kilmer, Kristiansen, Linville, Bailey, Pettigrew, P. Sullivan, Dunn, Ericks, Appleton, Green, Morrell, Sells and Simpson.

Brief History:

Committee Activity:

Finance: 1/30/06, 2/6/06 [DPS].

Brief Summary of Substitute Bill

- Increases the personal property tax exemption for a head of family to \$15,000.
- Implements proposed constitutional amendment House Joint Resolution 4223.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives McIntire, Chair; Hunter, Vice Chair; Orcutt, Ranking Minority Member; Roach, Assistant Ranking Minority Member; Ahern, Condotta, Conway, Ericks, Hasegawa, Santos and Shabro.

Staff: Bob Longman (786-7139).

Background:

All property in this state is subject to the property tax each year based on the property's value, unless a specific exemption is provided by law. Property taxes apply to both real property (real estate) and personal property (all other property that is not real estate). Household goods and business inventories are exempt from tax by statute. Thus, taxable personal property consists mainly of office and business equipment.

The state Constitution authorizes the Legislature to exempt personal property to the amount of \$3,000 for each head of a family. This exemption was increased from \$300 by a constitutional amendment approved by the voters in 1988. The Legislature has enacted this exemption in statute. Under rules of the Department of Revenue, a head of a family means an

individual, not an entity such as a corporation, limited liability company, or a partnership. The following persons are eligible as a head of a family under the rules: Any person receiving an old age pension under the laws of this state; any citizen of the United States, over the age of 65, who has resided in the state of Washington continuously for 10 years; a husband or wife, when the claimant is a married person, or a surviving spouse not remarried; and any person who resides with, and provides care and maintenance for other family members as defined in the rule.

Summary of Substitute Bill:

The personal property tax exemption for a head of family is increased to \$15,000.

This bill implements the constitutional amendment in House Joint Resolution 4223.

Substitute Bill Compared to Original Bill:

The exemption amount is increased from \$10,000 to \$15,000.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect on January 1, 2007, if HJR 4223 is approved by the voters at the next general election.

Testimony For: People are surprised to learn that personal property that is exempt in the home is taxable in a business. Property taxes on personal property are burdensome for small owner-operated businesses. The exemption level has not kept pace with inflation since it was originally adopted.

Testimony Against: None.

Persons Testifying: Representative Kilmer, prime sponsor; Gil Brewer, Department of Revenue; and Carolyn Logue, National Federation of Independent Businesses.

Persons Signed In To Testify But Not Testifying: None.