

SENATE BILL REPORT

SB 6314

As of February 8, 2018

Title: An act relating to extending the existing state property tax exemption for residences of senior citizens and disabled persons to local regular property taxes.

Brief Description: Extending the existing state property tax exemption for residences of senior citizens and disabled persons to local regular property taxes.

Sponsors: Senators Dhingra, Fain, Nelson, Hasegawa, Hunt, Palumbo and Saldaña.

Brief History:

Committee Activity: Local Government: 2/01/18 [DPS-WM, w/oRec].
Ways & Means: 2/05/18.

Brief Summary of First Substitute Bill

- Allows city and county levy lid lift amounts to be fully exempted under the senior citizen and retired person property tax exemption program when the lid lift amount is identified in the ordinance placing the lid lift on a ballot.

SENATE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: That Substitute Senate Bill No. 6314 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Takko, Chair; Palumbo, Vice Chair; Lias.

Minority Report: That it be referred without recommendation.

Signed by Senators Short, Ranking Member; Angel.

Staff: Bonnie Kim (786-7316)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Jeffrey Mitchell (786-7438)

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

Background: Property Tax. All property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law.

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

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

Jurisdictions levying a property tax rate less than their statutory maximum may exceed the levy growth limit with approval from a simple majority of the district's voters. The ballot title must contain the proposed levy rate for the first year of the lid lift and may include a dedicated purpose for the proceeds. Levies may exceed the revenue limit for one year, defined as a single year lid lift, or up to six consecutive years, defined as a multiple year lid lift.

Additionally, the impact of the lid lift can temporarily or permanently impact future levy calculations. If the impact is temporary, the levy limit in future years will be calculated as though a lid lift never occurred. If the impact is permanent, the final levy is used to calculate the future levy limit. The lid lift is temporary unless the ballot title specifies the lid lift will permanently impact levy calculations. If the lid lift proceeds are dedicated to pay bond service, the duration of the increased levy cannot exceed nine years.

In the third special session of 2017, the Legislature enacted EHB 2242. This legislation increased and revised funding for K-12 education. As part of EHB 2242, an additional state property tax for common schools was established bringing the total state property tax rate to \$2.70 per \$1,000 of assessed value. The additional state property tax rate is approximately \$0.81 higher than the state property tax rate for 2017, and took effect with taxes levied for collection in calendar year 2018.

Senior Citizen and Retired Person Property Tax Relief Program. Authorized by a constitutional amendment, qualifying senior citizens, persons retired due to disability, and veterans entitled to and receiving compensation from the United States Department of Veterans Affairs at a total disability rating for a service-connected disability, are entitled to property tax relief on their principal residence. To qualify, a person must be 61 years old in the year of the application or retired from employment because of disability; own his or her principal residence; and have a combined disposable income of less than \$40,000 a year. Eligible individuals are exempt from all school district levies and a portion of the state property. Eligible individuals are also eligible for a partial property tax exemption on other property taxes and a valuation freeze depending on the degree to which their income is below the \$40,000 threshold.

Summary of Bill (First Substitute): For persons who otherwise qualify for the senior citizen and retired person property tax exemption program, city and county levy lid lift

amounts are completely exempt from property tax if the city or county identifies the exemption in the ordinance placing the lid lift on the ballot.

EFFECT OF CHANGES MADE BY LOCAL GOVERNMENT COMMITTEE (First Substitute):

- Restores an exemption of the new additional state property tax for common schools enacted in 2017.

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 on Original Bill (Local Government): *The committee recommended a different version of the bill than what was heard.* PRO: Recent property tax changes have dramatically increased property tax liability in high cost of living districts. This bill provides local property tax relief to those who can least afford property tax increases. King County is very interested in this bill. This bill provides an option for local jurisdictions to provide tax relief for these qualifying taxpayers whenever there is a future levy lid lift approved by voters.

Persons Testifying (Local Government): PRO: Senator Manka Dhingra, Prime Sponsor; David Foster, citizen.

Persons Signed In To Testify But Not Testifying (Local Government): No one.

Staff Summary of Public Testimony on First Substitute (Ways & Means): PRO: This is a local option that jurisdictions may use. Cities and counties would have to pass an ordinance to put it on the ballot. It only impacts local governments.

Persons Testifying (Ways & Means): PRO: David Foster, King County.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.