

SENATE BILL REPORT

SB 6314

As Reported by Senate Committee On:
Local Government, February 1, 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].

Brief Summary of First Substitute Bill

- Adds levy lid lift amounts as an exemption in the property tax exemption program when the exemption 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; Liias.

Minority Report: That it be referred without recommendation.

Signed by Senators Short, Ranking Member; Angel.

Staff: Bonnie Kim (786-7316)

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

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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 for a defined period of time 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 state allocations for K-12 basic education salaries, professional development days, and the prototypical school funding model; and limited use of school district levies for enrichment outside of the basic education program. It created a School Employees Benefits Board to procure health care and other benefits for school district employees statewide. A new state property tax for common schools was established at a total rate of \$2.70 per \$1,000 of assessed value when combined with the existing state property tax; capped school district levies at the lesser of \$2,500 per student or \$1.50 per \$1,000 of assessed property value; and revised local effort assistance up to \$1,500 per student. The new state property tax expires in 2021.

Property Tax Exemption. The exemption program applies to taxpayers who are, on December 31 of the year before the taxes are due, at least 61 years of age or older; retired from regular gainful employment by reason of disability; or a veteran of the armed forces of the United States entitled to and receiving compensation from the United States Department of Veterans Affairs at a total disability rating for a service-connected disability.

Qualifying applicants receive a reduction in the amount of property taxes due. Applicants must own and occupy a primary residence in Washington and have combined disposable income of \$40,000 or less.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (First Substitute): For persons who otherwise qualify for the property tax exemption and have combined disposable income of \$40,000 or less, levy lid lift amounts are also exempted if the local legislative authority identified 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: *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: PRO: Senator Manka Dhingra, Prime Sponsor; David Foster, citizen.

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