
Finance Committee

HB 1248

Brief Description: Allowing leased land in a mobile home park or manufactured housing community to qualify for the senior, veteran, and persons with disabilities property tax exemption.

Sponsors: Representatives Orcutt, Caldier, Sutherland and Young.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Authorizes a property tax exemption on land leased in a mobile home park or manufactured housing community to individuals who qualify for the senior citizen and disabled veterans property tax exemption program.
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Hearing Date: 2/11/21

Staff: Rachelle Harris (786-7137).

Background:

Property Tax – General.

All real and personal property in the state is subject to property tax each year based on its value, unless specific exemption is provided by law. The Washington 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.

The state collects two regular property tax levies for common schools. The original state levy was first imposed when Washington achieved statehood in 1889. In 2017 the Legislature created a second state levy. For taxes levied for collection in calendar years 2018, 2020, and 2021, the

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combined rate for both state levies is \$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 is \$2.40 per \$1,000 AV. The revenue growth limit does 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.

All regular levies, except the state levies, are subject to a statutory revenue growth limit. If the 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. 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.

Senior Citizens and Disabled Veterans Property Tax Relief.

Qualifying senior citizens, persons retired due to disability, and veterans are entitled to partial property tax relief on their principal residence. To qualify, a person must be:

- 61 years old in the year of the application;
- retired from employment because of disability; or
- a veteran of the Armed Forces of the United States receiving compensation from the United States Department of Veterans Affairs at either a combined service-connected valuation rate of 80 percent or higher or a total disability rating for a service-connected disability without regard to evaluation percent.

Qualification is based on income thresholds that vary by county and are based on county median income. The amount of the reduction in property taxes is based on the applicant's income and county of residence:

- For the highest income threshold that qualifies, a person is exempt from all excess levies and the second state levy.
- For the middle income threshold that qualifies, a person is exempt from all excess levies, the second state levy, and all regular property taxes on the greater of \$50,000 or 35 percent AV, at a \$70,000 maximum.
- For the lowest income threshold that qualifies, person is exempt from all excess levies, the second state levy, and all regular property taxes on the greater of \$60,000 or 60 percent AV.

The property tax exemption can apply to qualifying owners of mobile or manufactured homes, but not the land they may lease as a tenant.

Valuation Freeze.

In addition to the partial exemptions listed above, the valuation of the residence of an eligible individual is frozen, for the purpose of calculating property tax liability, at the assessed value of the residence on the later of January 1, 1995, or January 1 of the assessment year in which the person first qualifies for the program. Qualification for the valuation freeze is based on the applicant's income and county of residence.

Tax Preference Performance Statement.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Summary of Bill:

A mobile home park or manufactured housing community is eligible for a partial property tax exemption if the landlord leases or rents a mobile home lot to a tenant who qualifies for an exemption under the senior citizen and disabled veterans property tax exemption program. The exemption is equal to the exemption the tenant qualifies for under the senior citizen and disabled veterans property tax exemption program multiplied by the fraction of lots within the housing community.

For any year in which a landlord receives a partial property tax exemption for their leased land, the landlord must reduce the lease or rental amount for the tenant by an amount equal to the exemption attributed to the lot.

When a tenant claims an exemption, the county assessor must calculate the amount of exemption for the mobile home park or manufactured housing community and notify the landlord. The notification must include the amount of the exemption attributed to the lot and state the requirement of the landlord to reduce the lease or rental amount for the lot by an equivalent amount.

A TPPS is included and identifies a public policy objective to provide tax relief to senior citizens, people with disabilities, and veterans who own a mobile or manufactured home and rent or lease space in a mobile home park or manufactured housing community.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.