

SENATE BILL REPORT

SJR 8206

As of January 24, 2023

Brief Description: Concerning property tax rebates.

Sponsors: Senators Kuderer, Frame, Lovelett, Saldaña, Stanford and Wilson, C..

Brief History:

Committee Activity: Ways & Means: 1/24/23.

Brief Summary of Bill

- Removes the uniformity in taxation clause from the Washington State Constitution.
- Amends the State Constitution to authorize the creation of a primary residence property tax exemption for state property taxes and a renter's credit.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Alia Kennedy (786-7405)

Background: Uniformity Clause. The Washington State Constitution requires that state and local property taxes be uniform within each class of property. Real property constitutes a single class of property under the Constitution. Uniformity requires both an equal rate of tax and equality in valuing the property. Based on the uniformity requirement, differential treatment of different types of real property is disallowed. Under the Constitution, the Legislature may, by general laws, exempt property from taxation.

Gift of Public Funds. The gifting of public funds doctrine refers to a set of prohibitions contained in two sections of the Washington State Constitution. The sections prohibit the state government and its political subdivisions from conferring benefits on private parties in ways that might disadvantage public interests. Courts have used a two-step process that

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first determines if funds being expended are to carry out a fundamental purpose of the government. If so, then no gift of public funds has been made. Otherwise, the court looks to see whether the government entity received adequate return or if the expenditure was donative in nature.

Constitutional Amendment. To amend Washington's Constitution, the Legislature must first approve the proposed amendment with a two-thirds vote. Then, the approved proposal must be placed on the ballot at the next state general election. It becomes law if approved by a majority of the electors.

Summary of Bill: The State Constitution is amended to authorize the Legislature to create a primary residence property tax exemption for state property taxes. The primary residence property tax exemption may be either a reduction in a assessed property value or a refund of property tax paid. The primary residence property tax exemption is up to \$250,000 of assessed property value and applies only to a taxpayer's principal place of residence. The state levy must be reduced as necessary to prevent the exempted value from increasing the state property tax rate for other property owners.

The Legislature may also provide a similar benefit through a renter's credit to residential tenants. The renter's credit must be in the form of a refund of a portion of the rent paid by tenants on their primary residence. The amount of renter's credit for each tenant may not exceed the maximum amount of tax reduction provided by the primary residence property tax exemption.

The Legislature may annually increase to the maximum amount of exemption and credit and may place other limitations and conditions on the primary residence property tax and renter's credit as it deems proper.

The Legislature may enact a primary residence property tax exemption or renter's credit unless it provides both a primary residence property tax exemption and renter's credit.

The uniformity in taxation requirements are removed from the State Constitution.

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: PRO: The primary residence property tax exemption and renter's credit should and can be part of comprehensive tax reform. The policies paired together make incredible progress toward righting the wrong that is the

state's upside-down regressive tax structure. The Tax Structure Work Group hears from taxpayers and tax administrators on the feasibility of these proposals. County assessors have expressed concern for administering this program at the local level which is why the bill is structured as a rebate. The proposal limits the burden on landlords to provide proof each year as part of an application for the renter's credit. The constitutional amendment differs from the other Senate proposal in that it repeals the uniformity clause. The uniformity clause is a relic of the past. A person's primary residence is not just property, it is not just an asset, it is their home. The uniformity clause forces lawmakers to treat a person's home the same a large skyscraper commercial property. The uniformity clause prevents the Legislature from disincentivizing certain types of property ownership. Repealing uniformity will allow lawmakers to narrowly tailor the exemption so that it reaches those who need it most.

Persons Testifying: PRO: Senator Noel Frame.

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