

# SENATE BILL REPORT

## SB 5298

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As Reported By Senate Committee On:  
Government Operations & Elections, March 1, 2005

**Title:** An act relating to the property taxation of qualified historic property.

**Brief Description:** Exempting qualified historic property from the state property tax.

**Sponsors:** Senators Carrell, Kastama, Stevens, Berkey, Rockefeller, Rasmussen, Oke, Swecker, Delvin, Schmidt, Morton, Parlette, Benson and Mulliken.

**Brief History:**

**Committee Activity:** Government Operations & Elections: 2/1/05, 3/1/05 [DPS-WM].  
Ways & Means: 1/25/06.

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### SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

**Majority Report:** That Substitute Senate Bill No. 5298 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kastama, Chair; Berkey, Vice Chair; Roach, Ranking Minority Member; Benton, Fairley, Haugen, Kline, McCaslin, Mulliken and Pridemore.

**Staff:** Cindy Fazio (786-7405)

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Terry Wilson (786-7433)

**Background:** Qualifying historic buildings are eligible for a "special valuation" for property tax levies for a 10-year period after they qualify. This special valuation is equal to the building's assessed value less the costs of restoring or rehabilitating the property. These costs must be equal to at least 25 percent of the assessed value of the property (exclusive of the value attributable to land) before restoration or rehabilitation. Historic property must be listed on a local list of historic places or the national register of historic places.

**Summary of Substitute Bill:** Private owners of historic property, listed on the Washington Heritage Register, or the national register of historic places, are eligible for an exemption from the state property tax once every five years. To qualify for the property tax exemption, the property owner must be occupying the residence and must have spent on the residence, within the last five years, ten percent of the assessed value of the residential structure, in maintenance and repair of the residence. The property owner is not eligible for this exemption if participating in the ten year special valuation program.

**Substitute Bill Compared to Original Bill:** Historic property owners are precluded from participating in this exemption program while they are participating in the special valuation program. The assessor may charge an application fee for the actual costs of processing and

recording documents. Historic property within an historic district must be a contributing building within that district, according to the definition in the U.S. Department of Interior regulations, before participating in the exemption program.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For (Government Operations & Elections):** The intent of this legislation is to keep historic properties maintained and at their highest value on the tax roles. If these properties come under state ownership, the state will have to spend the money to maintain them, and will not receive property tax from them. There is a public interest in having old and new buildings in a community.

Some historic property owners have had to spend significant amounts to restore the property. Such owners should be encouraged and helped in that process.

Restoring and maintaining historic property increases property values, and celebrates a community's history. Additionally, keeping the ownership in private hands leads to quick decisions on repairs or maintenance when a quick decision is needed.

Keeping a community's heritage alive is vital to the community. Helping owners maintain their property is important in educating our children about the past.

**Testimony Against (Government Operations & Elections):** This bill takes local control away from cities and towns and shifts the tax burden from historic property owners to other taxpayers. Individual cities and towns should be allowed to create their own qualifying criteria for historic property. Local authority should not be taken away from this process. Additionally, the proposed legislation includes more than restoration costs. It includes basic ongoing maintenance costs that any homeowner must invest in their homes.

Administering this law will be a nightmare for assessors. With a detailed application process, application of the law to state taxes, but not local taxes, and a large list of qualifying criteria, a large amount of staff time will be needed to implement the law. Also, the application process will have to occur every five years.

**Who Testified (Government Operations & Elections):** PRO: Ron Lucas, Mayor, Steilacoom; M. Deanna Robinson, resident of Lakewood; Walter Neary, City of Lakewood.

CON: Jack Westerman, III, Jefferson County Assessor; Michelle Hagan, Washington Assoc. of County Assessors.

**Testimony For (Ways & Means):** This has passed the House several times. It is important to preserve these beautiful buildings. They should not fall into disrepair. The design and construction in restoration is extensive. People do not see the advantage to being on the registry because of the costs of maintaining the property.

**Testimony Against (Ways & Means):** None.

**Testimony Other (Ways & Means):** None.

**Who Testified (Ways & Means):** PRO: Senator Mike Carrell, prime sponsor; Stan Bowman, American Institute of Architects WA Council; Walter Neary, City of Lakewood; Ron Lucas, Mayor, Steilacoom.