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## Finance Committee

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### HB 1494

**Brief Description:** Providing housing safety, security, and protection for Washington families by creating the antidisplacement property tax exemption.

**Sponsors:** Representatives Harris-Talley, Berg, Davis, Wicks, Peterson, Ortiz-Self, Orwall, Gregerson, Chapman, Ramel, Simmons, Berry, Lekanoff, Frame, Hackney, Slatter, Duerr, Kirby, Thai, Valdez, Ormsby and Morgan.

<p style="text-align: center;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Creates the Anti-Displacement Property Tax Exemption for the state property tax levy on principal residences up to \$250,000 of assessed value, subject to funding.</li></ul>
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**Hearing Date:** 2/9/21

**Staff:** Tracey O'Brien (786-7152).

**Background:**

Property Tax - Regular Levies.

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

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 adopted Engrossed House Bill 2242, which created the additional state levy. For taxes levied for collection in calendar years 2018, 2020, and 2021, the 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

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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. Participants in the senior citizens, individuals with disabilities, and qualifying veterans property tax exemption program receive a partial exemption from the original state levy and a full exemption from the additional state levy.

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

### **Summary of Bill:**

The anti-displacement property tax exemption (PTE) is created to apply to the state property tax levy and may exempt up to the first \$250,000 AV of residential property beginning in calendar year 2024. The state property tax levy must be reduced to prevent a tax shift. The anti-displacement PTE is in addition to the senior citizens, persons retired due to disability, and veterans property tax relief.

The anti-displacement PTE applies to residential tax parcels consisting of fewer than three residences. It also applies each residence within a multiunit residential dwelling wherein each residence is owned and taxed separately or is owned by a cooperative housing association, corporation or partnership. In order to qualify for the anti-displacement PTE, the residence must be the principal place of residence for the claimant and the claimant must own or hold a life estate in the residence. If the claimant's residence is part of a housing association, corporation or partnership, the claimant must own a share of the cooperative representing the unit in which the claimant resides.

"Residence" is defined to include a single-family dwelling unit whether such unit is separate or part of a multiunit dwelling, including the land on which such dwelling stands that is held in fee or trust, a floating home, or a manufactured/mobile home or park model that is fixed in location, on a foundation and connected to utilities.

The Department of Revenue (DOR) and county assessor must publicize the qualification and manner of making claims for the anti-displacement PTE. A claimant must annually apply for the anti-displacement PTE online with the DOR by June 30 of the calendar year prior to the year for which the exemption will be claimed. In addition to the online applications with the DOR, a county assessor must make declaration forms available at the assessor's office, on the assessor's website, by mail, and by electronic mail upon request.

The DOR must verify the claimants have a single residence claimed for that calendar year and provide the county assessors with a list of claimant, parcels, associated exemption, and other necessary information by August 1 each year.

If a claimant fails to meet the June 30 deadline for the application, the application must be denied

unless good cause is demonstrated. A claimant may appeal a denial.

If a county assessor finds that the claimant's residence does not meet the qualifications for the anti-displacement PTE, the assessor must deny or cancel the anti-displacement PTE. If the county assessor determines the claimant has received the anti-displacement PTE in error in prior years, the county treasurer must collect all the state property tax that would have been paid for those prior years, not to exceed six years. Interest must be applied as if delinquent taxes, but no penalties may be assessed.

The DOR may increase the annual anti-displacement PTE maximum amount based on a calculation of a year over year percentage growth in the state levy collections.

The Washington Tax Justice and Equity Fund (Fund) is created. By December 10 each year, the DOR must determine the amount of revenue deposited into the Fund during the previous 12 months ending November 30. The DOR must then determine if sufficient moneys are in the Fund to fully finance the anti-displacement PTE for the upcoming calendar year. If the Fund lacks sufficient moneys, the DOR must calculate a new anti-displacement PTE based on the Fund's available balance.

**Appropriation:** None.

**Fiscal Note:** Requested on February 4, 2021.

**Effective Date:** The bill takes effect on August 1, 2022, if HJR 4204 is approved and ratified at the next general election.