

SENATE BILL REPORT

SB 5454

As of February 18, 2021

Title: An act relating to providing property tax relief to Washington citizens who lost their homes in the labor day fires.

Brief Description: Providing property tax relief to Washington citizens who lost their homes in the labor day fires.

Sponsors: Senators Schoesler, Brown, Frockt, Honeyford, Padden, Rolfes, Van De Wege, Wagoner, Warnick and Wilson, J..

Brief History:

Committee Activity: Ways & Means: 2/19/21.

Brief Summary of Bill

- Exempts from property tax, the value of home improvements made to homes damaged by wildfires in September of 2020.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Alia Kennedy (786-7405)

Background: Property Tax. All real and personal property in the state is subject to property tax each year based on its value, unless a 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

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Legislature created a second 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. For taxes levied for collection in calendar year 2019, the combined rate for both state levies is \$2.40 per \$1,000 assessed value. 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.

Home Improvement Exemption. Physical improvements to a detached single family dwelling are exempt from property tax for three years subsequent to completion of the improvement. The exemption may not exceed 30 percent of the assessed value of the structure prior to remodeling. The home improvement exemption may be claimed only once in a 5-year period. Any addition, improvement, remodel, renovation, or structural correction that materially adds to the value or improves the condition of an existing dwelling may qualify for reduced property taxes. Normal maintenance work does not qualify.

Tax Preference Performance Statement. State law provides 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. 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 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 ten years unless an alternative expiration date is provided.

Washington Wildfires. In September of 2020, parts of Washington were impacted by a series of wildfires that damaged homes and burned acres of land. On February 4, 2021, the Federal Emergency Management Agency approved disaster relief requests for nine eastern Washington counties and two Native tribes impacted by wildfires. The areas identified in the declaration were Douglas, Franklin, Kittitas, Lincoln, Okanogan, Pend Oreille, Skamania, Whitman, and Yakima Counties, and the Confederated Tribes of the Colville Reservation and the Confederated Tribes and Bands of the Yakama Nation.

Summary of Bill: Beginning with taxes levied for collection in 2022, physical improvements to homes damaged by wildfires occurring in the state during the period of September 1-19, 2020, are exempt from property tax for the full value of the original

structure for three years following the completion of the improvement.

The act is exempt from tax preference performance review and automatic expiration.

Appropriation: None.

Fiscal Note: Requested on February 12, 2021.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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