
Finance Committee

HB 1556

Brief Description: Concerning property tax rebates for homeowners and renters.

Sponsors: Representatives Berg, Thai, Ramel, Reed, Farivar, Berry, Doglio, Senn, Taylor, Fosse, Cortes, Lekanoff, Peterson, Simmons, Gregerson, Pollet, Bateman and Santos.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Creates a primary residence property tax exemption program.• Creates a renter's credit refund program.

Hearing Date: 2/14/23

Staff: Tracey Taylor (786-7152).

Background:

State Constitution and Property Taxes.

The Washington Constitution requires all taxes to be applied uniformly on property within each taxing district. However, the Legislature may exempt certain property from taxation. All real and personal property in the state is subject to the state property tax, unless specifically exempted under law. Property taxes are based on the assessed fair market value of the property. The Legislature has the power, by appropriate legislation, to exempt personal property to the amount of \$15,000 for each head of family liable to assessment and taxation.

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 annual growth of all regular property tax levy revenue is limited as follows:

- For jurisdictions with a population of less than 10,000, revenue growth is limited to 1

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percent.

- For jurisdictions with a population of 10,000 or more, revenue growth is limited to the lesser of inflation or 1 percent plus the value of new construction.

The state collects two regular property tax levies for common schools. The revenue growth limit applies to both levies. Participants in the senior citizens, individuals with disabilities, and the 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 also limits regular levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value). There are individual district rate maximums and aggregate rate maximums to keep the total tax rate for regular property taxes within the constitutional limit. For example:

- The state levy rate is limited to \$3.60 per \$1,000 of assessed value.
- County general levies are limited to \$1.80 per \$1,000 of assessed value.
- County road levies are limited to \$2.25 per \$1,000 of assessed value.
- City levies are limited to \$3.375 per \$1,000 of assessed value.

For property tax purposes, the state, counties, and cities are collectively referred to as senior taxing districts. Junior taxing districts—a term that includes fire, hospital, flood control zone, and most other special purpose districts—each have specific rate limits as well.

Summary of Bill:

Primary Residence Property Tax Exemption.

Beginning January 1, 2027, a primary residence property tax exemption (PRPTE) is allowed in the form of a refund of state property taxes paid in the prior calendar year, up to \$250,000 of assessed value on a claimant's residence. A PRPTE may not result in a refund that exceeds the amount of state property taxes otherwise due on that residence.

"Residence" is defined as a single-family dwelling unit, whether such unit is separate or part of a multi-unit dwelling, including the land on which such a dwelling stands. "Residence" includes a single-family residence dwelling:

- situated upon lands the fee of which is vested in or held in trust by the United States government, a federally recognized Indian tribe, the state of Washington or any of its political subdivisions, or a municipal corporation;
- consisting of a manufactured/mobile home or park model that has substantially lost its identity as a mobile unit by virtue of its being fixed in location and placed on a foundation with fixed pipe connections with sewer, water, or other utilities; and
- consisting of a floating home, which must be occupied by the property owner as their principal place of residence.

A "residence" also includes an accessory dwelling unit that provides complete independent living

facilities for one or more persons, including permanent provisions for living, sleeping, eating, cooking, and sanitation.

In order to qualify as the "primary residence", a taxpayer must occupy the property for at least 183 days during a calendar year. The primary residence property tax exemption is in addition to the senior citizen property tax relief program.

Beginning January 31, 2028, and by January 31 each year thereafter, the amount of PRPTE must be increased from the prior year's exemption amount by the percentage growth in the state levy for the prior calendar year.

A taxpayer must apply annually to the Department of Revenue (DOR) by the last day of the calendar year for which the primary residence property tax exemption refund is claimed. Applications must contain a signature attesting that the property for which the PRPTE sought is the claimant's principal place of residence. All signatures on an application must be made under penalty of perjury.

Notice of the PRPTE and where to obtain further information must be included with property tax statements and revaluation notices for residential property. The DOR, each county assessor, and each county treasurer must publicize the qualifications and manner of making claims for the primary residence property tax exemption.

All property taxes due on the qualified residence must be paid in full for the year in which the application is submitted. If the claimant is delinquent on any property taxes, the DOR must send the claimant's PRPTE refund to the county treasurer in which the claimant's qualified residence is located to be applied to the claimant's delinquent property taxes.

No claimant may receive PRPTE refund on more than one qualified residence in any calendar year.

Renter's Credit.

Beginning January 1, 2027, a renter's credit is available to qualifying tenants. The renter's credit is a refund of 2 percent of gross rent paid in the prior calendar year on a tenant's principal place of residence. However, a renter's credit may not result in a refund that exceeds the amount that would be exempt if the claimant were eligible for a PRPTE.

Claimants must apply annually to DOR by the last day of the calendar year for which the refund is claimed and must include:

- a copy of each applicable rental or lease agreement; and
- a signature attesting under the penalty of perjury to the amount of gross rent paid and the rental property or properties for which the renter's credit is sought was the claimant's principal place of residence in the immediately preceding calendar year.

If multiple individuals contribute to the payment of rent, DOR must make separate refunds to

each claimant in an amount equal to the claimant's pro rata share. DOR may adjust the gross rent paid to a reasonable rental amount for purposes of rent constituting property taxes paid. Any redetermination of gross rent under this subsection is subject to the appeal. The residence for which a renter's credit is claimed must be subject to property taxation for the year for which the renter's credit is claimed. A claimant may file late applications for up to six months after the deadline.

Residence has the same definition as that provided for the primary residence property tax exemption.

DOR must provide information about the renter's credit on its website, including qualifications and manner of making claims for the credit. Subject to funds appropriated for this specific purpose, DOR must conduct public awareness and outreach efforts for the renter's credit. The DOR must annually adjust the maximum renter's credit to be equivalent to the maximum allowed for a primary residence property tax exemption.

There is an appeal process for claimants denied a refund, and the DOR has the power to impose penalties if a claimant fraudulently receives a refund. Subject to appropriation, DOR must develop and maintain a centralized computer system for the filing and processing of applications and issuance of refund payments.

Limits on the programs.

The PRPTE and renter's credit are subject to appropriation.

The Legislature may limit eligibility of the PRPTE and renter's credit to low-income households if a proposed constitutional amendment specifically authorizing a primary residence property tax exemption and renter's credit is approved by the voters in the next general election.

A claimant may not receive both a primary residence property tax exemption and renter's credit in the same year, except for claims in which a single-family dwelling owned by the claimant but located on leased land. In such cases, the combined refund may not exceed the allowable amount for a primary residence property tax exemption.

Other Provisions.

The DOR must provide claimants a paper application upon request.

A person may not claim a primary residence property tax exemption or renter's credit on behalf of a deceased individual.

The primary residence property tax exemption and renter's credit are not subject to tax preference performance review or automatic 10-year expiration.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on January 1, 2024.