
Finance Committee

HB 2120

Brief Description: Concerning tax preferences for clean energy manufacturers.

Sponsors: Representatives Barnard, Shavers, Graham and Wylie.

Brief Summary of Bill

- Allows cities to extend the deadline for project completion for the targeted urban area property tax exemption up to a total of four years for nuclear facilities that require certification by the US Nuclear Regulatory Commission.

Hearing Date: 1/25/24

Staff: Kristina King (786-7190).

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 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 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 qualifying veterans property tax exemption program receive a partial exemption from the

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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.

Targeted Urban Area Property Tax Exemption.

Cities and towns are authorized to grant a 10-year local property tax exemption for new industrial or manufacturing facilities in designated areas. Within one year of building occupancy, the facility must create at least 25 family living wage jobs within one year of building occupancy with an average wage of at least \$23 per hour with health care benefits. The value of the property tax exemption is provided on the value of eligible improvements and applies only to the city portion of the property tax. A county may, by resolution, allow any property receiving an exemption from city property taxes to also receive an exemption from county property taxes. No application for the exemption may be submitted after December 31, 2030.

Industrial or manufacturing facilities must be at least 10,000 square feet with an improvement value of at least \$800,000 and meet certain building use standards by the US Department of Labor. New construction of industrial or manufacturing facilities must:

- be within a targeted area designated by the city;
- be on land that has no existing building improvements and that is zoned for an industrial or manufacturing use;
- meet all construction and development regulations of the city; and
- be completed within three years from the date of approval of the application.

If the city finds that the work was not completed within the required time limit of three years due to circumstances beyond the control of the owner and that the owner has been acting in good faith, the governing authority may extend the deadline for completion of the work for a period not to exceed two years.

Summary of Bill:

Cities are allowed to extend the deadline for project completion for the targeted urban area property tax exemption up to four additional years beyond the existing extension of two years for

nuclear facilities that require certification by the US Nuclear Regulatory Commission.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.