
Finance Committee

HJR 4205

Brief Description: Concerning property tax rebates.

Sponsors: Representatives Berg, Thai, Ramel, Reed, Farivar, Fosse, Lekanoff, Cortes, Pollet and Santos.

Brief Summary of Bill

- Amends the Washington State Constitution to authorize a primary residence property tax exemption and renter's credit refund.
- Removes uniformity requirement for taxes and the requirement that all real estate constitute one class of property.

Hearing Date: 2/14/23

Staff: Tracey Taylor (786-7152).

Background:

State Constitution and Property Taxes.

Uniformity (Article VII, Section 1).

The Washington Constitution (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.

Limits (Article VII, Section 2).

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.

The Constitution also limits regular property tax levies to a maximum of 1 percent of a property's Assessed Value (AV). This applies collectively to the total taxes levied by the state, local governments, and any other agencies with taxing authority. However, the Constitution specifically exempts port and utility districts from this limitation.

To keep the total tax rate within the 1 percent limit, the Legislature has established individual and aggregate limits for the various tax districts. The tax levy maximum assessed by the state is set at \$3.60 per \$1,000 of the AV. The state levy takes precedence over all other levies. Most of the remaining local tax districts must share an overall maximum rate of \$5.90 per \$1,000 of the AV.

Apportionment (Article VII, Section 6; Article VIII, Section 4).

All taxes collected for state purposes must be paid to the State Treasury. Money paid out of the treasury must be appropriated by law.

Gift of Public Funds.

The gifting of public funds doctrine refers to a set of prohibitions contained in two sections of the Washington State Constitution. The sections prohibit the state government and its political subdivisions from conferring benefits on private parties in ways that might disadvantage public interests. Courts have used a two-step process that first determines if funds being expended are to carry out a fundamental purpose of the government. If so, then no gift of public funds has been made. Otherwise, the court looks to see whether the government entity received adequate return or if the expenditure was donative in nature.

Constitutional Amendment.

To amend Washington's Constitution, the Legislature must first approve the proposed amendment with a two-thirds vote. Then, the approved proposal must be placed on the ballot at the next state general election. It becomes law if approved by a majority of the electors.

Summary of Bill:

The State Constitution is amended to authorize the Legislature to create a primary residence property tax exemption for state property taxes. The primary residence property tax exemption may be either a reduction in an assessed property value or a refund of property tax paid. The primary residence property tax exemption is up to \$250,000 of assessed property value and applies only to a taxpayer's principal place of residence. The state levy must be reduced as necessary to prevent the exempted value from increasing the state property tax rate for other property owners.

The Legislature may also provide a similar benefit through a renter's credit to residential tenants. The renter's credit must be in the form of a refund of a portion of the rent paid by tenants on their primary residence. The amount of renter's credit for each tenant may not exceed the maximum amount of tax reduction provided by the primary residence property tax exemption.

The Legislature may annually increase to the maximum amount of exemption and credit and may place other limitations and conditions on the primary residence property tax and renter's credit as it deems proper.

The Legislature may enact a primary residence property tax exemption or renter's credit unless it provides both a primary residence property tax exemption and renter's credit.

The uniformity in taxation requirements are removed from the State Constitution.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Contingent on approval by majority of voters at next general election.