Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Finance Committee

HB 1004

Brief Description: Increasing the personal property tax exemption.

Sponsors: Representatives Leavitt, Volz, Ryu, Parshley, Walen, Schmidt, Shavers, Richards, Paul, Goodman, Rule, Pollet, Fey and Reeves.

Brief Summary of Bill

- Increases the personal property tax exemption from $15,000 to $50,000.

Hearing Date: 1/16/25

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 percent.

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- 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 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, expressed as $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.

Personal Property.
Most personal property owned by an individual is exempt from property taxes. For example, household goods and effects are not subject to property tax; however, if these items are used in a business, the items are subject to property tax. Personal property tax does not apply to business inventories or intangible property, including copyright and trademarks. Personal property subject to property tax includes machinery, equipment, furniture, and supplies of businesses and farmers.

Personal property is subject to the same levy rate as real property. The county assessor is responsible for the assessment of real and personal property, including the calculation of taxes. The county treasurer is responsible for the billing and collection of the real and personal property taxes.

Summary of Bill:

The personal property tax exemption is increased from $15,000 to $50,000. The head of family restriction is removed.

The personal property tax exemption is not subject to a tax preference performance statement, a Joint Legislative Audit Review Committee review, or an automatic 10-year expiration.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Section 1 of this bill has a contingent effective date. Please see the bill. The remainder of the bill takes effect 90 days after adjournment of the session in which the bill is passed.