

PROPERTY TAXES

NOTE CONCERNING PROPERTY TAX EXEMPTION IMPACTS

The estimates in this report reflect savings to taxpayers as a result of the exemptions. Because the state is projected to be at the maximum levy allowed during the forecast period, there would be no additional revenue accruing to the state general fund resulting from the broader tax base, if property tax exemptions were eliminated. Similarly, many local taxing districts are at their maximum levies and repeal would result in no additional property tax revenue for many of these districts. Nonetheless, repeal of exemption statutes would result in a broader tax base, and thus lower tax rates for other taxpayers.

PROPERTY TAX EXEMPTIONS - PUBLIC PROPERTY

35.21.755 PUBLIC CORPORATIONS
35.82.210
81.112.320

Description: Property owned by municipalities is exempt from property tax under RCW 84.36.010. However, RCW 35.21.755 provides that public corporations, commissions or authorities are liable for an in-lieu tax equal to what the property tax would be if the property was held in private ownership. This statute exempts from the in-lieu tax property that: (1) is located in a special review district established prior to January 1, 1976 or listed on a federal or state register of historical sites prior to January 1, 1987; (2) is used primarily for low income housing; (3) is used as a convention center, performing arts center, public assembly hall or meeting place, public esplanade, street, public way, public open space, park, public utility corridor or view corridor; (4) is considered blighted property acquired for remediation purposes; or (5) is used for transit purposes by a regional transit authority.

Purpose: The exemption for special review districts provides tax treatment comparable to that available at the federal level and encourages owners to retain historical property. The exemptions for low income housing, convention centers, performing arts centers, etc. reflect the municipal ownership and operation of the facilities and supports the social benefits these community resources provide.

Category/Year Enacted: Government. 1974. Originally limited to historic property; expanded several times in subsequent years.

Primary Beneficiaries: Beneficiaries include public housing authorities across the state, the Pike Place Market PDA, the Seattle Chinatown PDA, the Meydenbauer Convention Center in Bellevue, the Thea Foss Esplanade in Tacoma, and property of the Regional Transit Authority (Sound Transit).

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 761	\$ 799	\$ 844	\$ 871
Local levies	\$ 2,948	\$ 3,143	\$ 3,371	\$ 3,539

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

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84.36.010 FEDERAL GOVERNMENT

Description: Real and personal property owned by the United States government is exempt from property taxation.

Purpose: Property of the federal government is exempt under the Washington Constitution, except to the extent that Congress specifically allows such taxation, which it has rarely done. The federal government does make certain payments in lieu of property taxes, e.g., for federal forest lands.

Category/Year Enacted: Government. 1854

Primary Beneficiaries: The U.S. government and its agencies and instrumentalities.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 76,184	\$ 81,711	\$ 86,233	\$ 89,181
Local levies	\$304,053	\$330,978	\$354,462	\$372,186

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - taxation is prohibited by the State Constitution.

84.36.010 STATE GOVERNMENT

Description: Real and personal property owned by the state is exempt from property taxation.

Purpose: Property of the state government is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Category/Year Enacted: Government. 1889

Primary Beneficiaries: The state of Washington.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 55,115	\$ 57,872	\$ 61,071	\$ 63,059
Local levies	\$212,800	\$228,200	\$244,400	\$256,200

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - taxation is prohibited by the State Constitution.

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84.36.010 COUNTY GOVERNMENT

Description: Real and personal property owned by counties is exempt from property taxation.

Purpose: Property of county government is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Category/Year Enacted: Government. 1889

Primary Beneficiaries: The 39 counties in Washington.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 83,718	\$ 87,659	\$ 92,510	\$ 95,673
Local levies	\$334,119	\$363,705	\$389,513	\$408,988

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - taxation is prohibited by the State Constitution.

84.36.010 CITIES AND TOWNS

Description: Real and personal property owned by municipalities is exempt from property taxation.

Purpose: Property of municipal corporations is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Category/Year Enacted: Government. 1889

Primary Beneficiaries: The 281 cities and towns in Washington.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 68,566	\$ 71,794	\$ 75,767	\$ 78,358
Local levies	\$273,650	\$297,882	\$319,019	\$334,969

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - taxation is prohibited by the State Constitution.

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84.36.010 **TRIBAL PROPERTY**

Description: Property belonging to any federally recognized Indian tribe is exempt from property tax, if the property is used exclusively for essential government services as defined in RCW 43.06.455.

Purpose: This statute is directed toward tribal owned property which is located off of the tribe's reservation. The purpose is to treat all tribes alike and to treat all property used for government services in the same manner. The governmental facilities of most tribes are sited on tribal lands which are exempt from property tax, just as the land owned by local governments is exempt. However, at least one tribe has little land held in trust and must therefore purchase non-tribal land for governmental facilities.

Category/Year Enacted: Government. 2004

Primary Beneficiaries: Indian tribes whose governmental services utilize facilities on non-tribal land.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)*</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 263	\$ 272	\$ 283	\$ 293
Local levies	\$ 863	\$ 895	\$ 928	\$ 962

*Note: this impact addresses only the tribal land that is located off of the reservation.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

84.36.010 **PUBLIC SCHOOLS: COLLEGES AND UNIVERSITIES**

84.36.050(2)

Description: Real and personal property owned by the state's public colleges and universities is exempt from property taxation. In addition, property leased to an institution of higher education by a nonprofit foundation established for the exclusive support of the institution is exempt.

Purpose: Property of the state government is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Category/Year Enacted: Government. 1889; leased property by educational foundations added in 2001.

Primary Beneficiaries: Public colleges and universities, including the six four-year institutions, 29 community colleges and six vocational-technical institutes and their branch campuses.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 21,422	\$ 22,494	\$ 23,737	\$ 24,510
Local levies	\$ 82,928	\$ 88,439	\$ 94,849	\$ 99,591

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No - taxation is prohibited by the State Constitution.

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84.36.010 PUBLIC SCHOOLS: K - 12

Description: Real and personal property owned by school districts is exempt from property taxation.

Purpose: Property of school districts is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Category/Year Enacted: Government. 1889

Primary Beneficiaries: Approximately 2,100 campuses of the 295 public school districts.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 76,649	\$ 82,210	\$ 86,759	\$ 89,726
Local levies	\$305,909	\$332,997	\$356,626	\$374,458

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - taxation is prohibited by the State Constitution.

84.36.010 PORT DISTRICTS

Description: Real and personal property owned by public port districts is exempt from property taxation.

Purpose: Property of municipal corporations is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Category/Year Enacted: Government. 1911

Primary Beneficiaries: The 76 public port districts.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 14,401	\$ 14,771	\$ 15,551	\$ 16,224
Local levies	\$ 55,746	\$ 57,650	\$ 61,665	\$ 65,398

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - taxation is prohibited by the State Constitution.

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84.36.010 FIRE DISTRICTS

Description: Real and personal property owned by fire districts is exempt from property taxation.

Purpose: Property of municipal corporations is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Category/Year Enacted: Government. 1933

Primary Beneficiaries: Approx. 390 fire protection districts.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 3,022	\$ 3,241	\$ 3,420	\$ 3,537
Local levies	\$ 12,059	\$ 13,127	\$ 14,059	\$ 14,761

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No - taxation is prohibited by the State Constitution.

84.36.010 PUBLIC UTILITY DISTRICTS

Description: Real and personal property owned by public utility districts (PUDs) is exempt from property taxation. However, public utility districts pay a privilege tax in lieu of property tax based on the electricity they generate and distribute or based on the water and/or sewer services they provide.

Purpose: Property of municipal corporations is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Category/Year Enacted: Government. 1931

Primary Beneficiaries: 28 PUDs statewide. Of the 23 that generate and/or distribute electricity, 15 also provide water and/or sewer services. The remaining 5 PUDs provide water and/or sewer services but do not generate or distribute electricity.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)*</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 3,098	\$ 3,174	\$ 3,375	\$ 3,011
Local levies	\$ 64,050	\$ 68,550	\$ 73,933	\$ 77,448

*net of public utility privilege tax which is in lieu of property tax.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No - taxation is prohibited by the State Constitution.

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84.36.010 HOSPITAL DISTRICTS

84.36.040(2)

Description: Real and personal property owned by public hospital districts is exempt from property taxation. Also, exemption is provided for property that is leased to and used by a hospital district for hospital purposes, as long as the benefit of the exemption inures to the hospital.

Purpose: Property of municipal corporations is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Category/Year Enacted: Government. 1945; RCW 84.36.040(2) covering property leased to public hospitals was adopted in 2001.

Primary Beneficiaries: Approximately 40 hospitals operated by public hospital districts.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 2,042	\$ 2,144	\$ 2,262	\$ 2,336
Local levies	\$ 7,903	\$ 8,429	\$ 9,039	\$ 9,491

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - taxation is prohibited by the State Constitution.

84.36.010 FOREIGN CONSULATES

Description: Property that belongs to a foreign national government or an international commission is exempt from property taxation, if it is used exclusively as an office or residence for a consul or other official representative of that nation and the consul or representative is a citizen of that nation.

Purpose: This follows the principle of reciprocity, whereby a foreign nation will not tax the property of a U.S. consulate if it is used and maintained by U.S. nationals.

Category/Year Enacted: Government. 1967

Primary Beneficiaries: Four foreign governments and four international commissions or councils benefit from this exemption. All are located in King County.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 19	\$ 20	\$ 21	\$ 22
Local levies	\$ 74	\$ 79	\$ 85	\$ 90

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

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84.36.130 AIRPORTS OWNED BY CITIES IN OTHER STATES

Description: Real and personal property located in Washington that is exclusively owned by a municipal corporation of an adjoining state that is used primarily as an airport facility is exempt from property taxation, as long as the size of the airport does not exceed 500 acres.

Purpose: While reciprocity is not mentioned in this statute, it is assumed that should a similar situation occur in Oregon or Idaho, those states would enact similar exemptions.

Category/Year Enacted: Government. 1941; amended in 1998 to add the 500 acre limitation.

Primary Beneficiaries: Only the Pullman-Moscow Regional Airport in Whitman County. Exemption for The Dallesport Airport in Klickitat County (owned by the city of The Dalles, Oregon) was eliminated due to the 500 acre limitation.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 10	\$ 11	\$ 11	\$ 12
Local levies	\$ 40	\$ 42	\$ 46	\$ 48

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.135 HOUSING FINANCE COMMISSION

Description: Real and personal property owned by the state Housing Finance Commission is exempt from property tax. The Commission occasionally assumed title to real property when mortgages were sold under foreclosure proceedings. Even though the Commission may technically hold title to the foreclosed parcel, it is standard practice for the servicing firm to sell the property or for the insurance company to take title and resell the property.

Purpose: Reflects the legislative policy not to tax governmental operations.

Category/Year Enacted: Government. 1983

Primary Beneficiaries: The Housing Finance Commission.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None. In the past, rare instances occurred where the Commission would acquire title to certain parcels. Contracts are now structured so that the Commission avoids actually taking title to foreclosed properties. Thus, there is no longer any impact associated with this exemption.

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84.36.210 PUBLIC RIGHT-OF-WAY EASEMENTS

Description: Easements obtained by governmental entities over and across private property are exempt from property taxation, general tax foreclosure, and sale for delinquent taxes when written documentation of the easement has been filed with the county auditor's office. However, some jurisdictions do negotiate payments in lieu of property taxes with local taxing jurisdictions.

Purpose: Because publicly owned property is exempt from taxation, it follows that the value of easements obtained by government agencies for public purposes on privately owned land should similarly be exempt.

Category/Year Enacted: Government. 1947

Primary Beneficiaries: Governmental jurisdictions.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Indeterminate. No source of information could be located which indicates the total number of easements, their size or their value. An easement may add to the value of a parcel or it may detract from the value, depending upon the activity that the easement grants.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.230 INTERSTATE BRIDGES

Description: A reciprocal exemption exists for bridges and their approaches that cross the state's boundaries which are owned by the state or local governments of Washington and the adjoining state.

Purpose: This exemption represents a combination of the legislative policy not to tax government property and to avoid retaliatory taxation by the adjoining states.

Category/Year Enacted: Government. 1949

Primary Beneficiaries: Presently nine bridges are jointly owned by Washington and one of its neighboring states; eight with Oregon and one with Idaho.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 3,337	\$ 3,504	\$ 3,698	\$ 3,818
Local levies	\$ 12,920	\$ 13,778	\$ 14,777	\$ 15,516

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

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84.36.451 LEASEHOLDS OF PUBLIC PROPERTY

Description: Private rights to use or occupy publicly owned property are exempt from property taxation. Individuals and businesses that lease public property are instead subject to the leasehold excise tax pursuant to Chapter 82.29A RCW, based on the rental value of the lease. A section of the leasehold tax law, RCW 82.29A.120(1), limits the amount of that tax to what the property tax would otherwise be.

Purpose: The exemption assures that lessees of public property will pay only the leasehold excise tax and not personal property tax on the value of the lease.

Category/Year Enacted: Tax Base. 1976

Primary Beneficiaries: Private lessees of publicly owned property, e.g. port districts and state tidelands.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)*</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ (18,261)	\$ (19,192)	\$ (20,034)	\$ (21,068)
Local levies	\$ 2,433	\$ 2,933	\$ 3,723	\$ 3,985

*Estimates are net of state and local leasehold excise tax. Because the state leasehold excise tax rate is proportionately greater than the local rate, compared with the property tax rates, a shift of tax burden from the state to local jurisdictions would take place if the exemption were eliminated.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.605 SALE/LEASEBACKS FOR R.T.A.

Description: Real and personal property subject to a sale/leaseback agreement by a regional transportation authority (RTA) pursuant to RCW 81.112.300 is exempt from property taxation.

Purpose: The sale/leaseback arrangement (technically a lease/leaseback) is a financing mechanism to facilitate the acquisition of personal property by the RTA.

Category/Year Enacted: Government. 2000

Primary Beneficiaries: Sound Transit and the investor who acquires equipment by this method.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) It is understood that Sound Transit entered into one or two sale/leaseback agreements in earlier years, but that future agreements are unlikely due to a change in policy by the IRS which no longer allows the investor to write-off depreciation of the equipment. In any event, it is assumed that there is no net impact on property taxes resulting from this exemption, since there would be no property tax liability for Sound Transit if it had retained actual ownership of the personal property covered by the agreement.