

Primary Residence Property Tax Exemption & Renters' Refund Programs

Introduction

This document summarizes possible options and considerations for property tax relief in the form of:

- A primary residence property tax exemption.
- A corresponding renters' credit or refund.

Note: The exemption and credit/refund only apply to the state school levies' portions of the property taxes.

Primary Residence Property Tax Exemption (PRPTE)

PRPTE—Option 1 ("No-shift" PT exemption local application, state administration)

Option 1: Locally administered \$250,000 assessed value PRPTE

A "no-shift" PRPTE up to the first \$250,000 of assessed value to be administered locally by county assessors and treasurers.

Under a "no-shift" PRPTE, the assessed value remains within the state's total assessed value for purposes of calculating levy rates. However, the tax rate does not apply to the exempted value.

Administration

- Requires property owners to apply to their local county assessor.
- Applicants sign an attestation that the property is their primary residence and they have not applied for the exemption on another property in Washington.
- Counties provide the state agency responsible for administration (state) a list of all applicants. The state will verify eligibility and conduct audits.

Benefits

- Reduces the implementation time by avoiding the need to create a new stand-alone computer system that would be necessary to administer a refund program.
 - Provides county assessors and treasurers with the ability to show the tax savings on each property owner's annual property tax statement which is an administrative capability they previously requested.
 - Places the responsibility of verifying eligibility and conducting audits on the state, not the local county assessors.
 - Allows counties to request additional staff needed to accept applications and calculate exemptions.
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Challenges

- Enacting a constitutional amendment to avoid uniformity issues.
- Providing funding for the county assessors to increase the staffing they will need to process the applications.
 - If a PRPTE were to pass, there could be approximately 1.8 million applications statewide, based on 2021 legislation ([HB 1494](#)).
- Gathering the data necessary to verify primary residency requirements. There is no statewide use code for primary residence.
- Calculating the state school levies in a timely manner.
- Adding an additional layer of complexity to an already complex levy calculation process.
- Increasing appeals for assessors at the county board of equalization due to denied applications.

**PRPTE—Option 2
(Refund of
property tax paid
administered by
state)**

Option 2: PRPTE in the form of a refund equivalent to \$250,000 of assessed value

Create a program in the form of a refund equivalent to PRPTE up to \$250,000 of assessed value to be administered by the state.

Benefits

- Centralizes the entire PRPTE benefit amount.
- Reduces the risk of participants claiming more than one refund or refunds on nonowner-occupied residences (rental property and vacation homes).
- Alleviates the need to revise the existing levy process at the county or state level, since any property valuation and rate setting processes are unaffected.
- Increases transparency regarding the amount of the property tax savings to individual property owners by administering the exemption in the form of a refund.
- Assists with fiscal note requests and studies to the Legislature by providing the state direct access to county assessment data with the addition of the new centralized computer system needed for the state to verify ownership and assessment data at the county level in order to verify eligibility for a refund.

Challenges

- Enacting a constitutional amendment to avoid a gift of public funds.
- Funding additional employees and the development of a new computer system to process approximately 1.8 million applications each year.
- Funding and contracting for a new separate centralized property tax system for the state to obtain county assessors' data necessary to calculate the exemption and ensure an applicant has not claimed the exemption in more than one county.
- Gathering the data needed to verify the primary residency requirement.
- Requiring property owners to pay their property tax in full in order to receive a refund may be perceived by them and other as bureaucratic.

- Increasing workload for staff from the additional appeals filed by property owners protesting the denial of their refund, likely to be heard as either administrative appeals or appeals before Boards of Tax Appeals.

**PRPTE—Option 3
(PT exemption for
all residential
property
administered by
locals)**

Option 3: \$250,000 PRPTE for all residential property

Create a locally administered “no-shift” property tax exemption up to the first \$250,000 of assessed value for all residential property in each county – no primary residence requirement.

Benefits

- Reduces significantly the administrative burden on county assessors by eliminating the need to approve applications or verify primary residency, as compared to other options.
- Eases the implementation time needed by county assessors and treasurers by including it in the current levy process, rather than a refund or rebate.
- Provides county assessors and treasurers the information needed to show the amount of tax savings on each property owner’s annual property tax statement, which is a capability they previously requested.

Challenges

- Enacting a constitutional amendment to avoid uniformity issues.
- Responding to criticisms that it also benefits owners of second homes (e.g., owners of vacation homes) who are perceived to have more income than many others.
- Responding to criticisms that it also benefits rental property owners, including out of state investors of rental homes, without requiring the tax savings be passed onto tenants.
- Funding to county assessors for additional staffing if needed to administer the exemption program.

Renters' Refund Program

**Renters' Refund—
Option
(Specified dollar
amount)**

Option: State administered renters' refund – a specified dollar amount

Create a state administered renters' refund program with a specified refund amount equal to the taxes due on up to \$250,000 of assessed value. Requires an application to the state. Refund amount could be in tiers, based on ranges in rental amounts paid.

Include a corresponding requirement that landlords annually provide each tenant a Certificate of Rent Paid for the previous calendar year and that renters applying for the refund provide this documentation to the state along with their application.

Benefits

- Centralizes the refund program with the state, rather than local jurisdictions.
- Provides transparent tax benefit for individuals receiving refunds.

Challenges

- Requires enactment of a constitutional amendment to avoid a gift of public funds.
 - Requires the implementation of a significant computer system for processing applications and paying refund amounts.
 - Requires extensive staffing to approve approximately 800,000 – 1 million applications each year.
 - Requires that landlords provide each tenant a Certificate of Rent Paid, which the landlords may say is too burdensome.
 - Increases workload for staff from the appeals filed by renters protesting the denial of their refund, likely to be heard as administrative appeals.
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