Department of Revenue
Washington State

Frequently Asked Questions

Local Revitalization Financing Program: Property Tax Component Q & A's

Q. Are all taxing districts and local governments within a designated revitalization area (RA) required to participate in the sharing of their increased property tax allocation revenue values?

A. No. The sponsoring local government must notify all taxing districts that they are creating a RA and give them the opportunity to opt-out. Opting out must be done by formal action (passage of an ordinance or resolution). If the taxing district does not take the action to formally opt-out, it is automatically included in the RA.

Q. May a taxing district partially participate in the sharing of their increased property tax allocation revenue values?

A. Yes. If a taxing district would like to partially participate, it may allow one or more of its regular property tax levies to be used. This may be done through an interlocal agreement specifying the regular property tax levies that will be used.

A taxing district may also partially participate by providing a specified amount of money to be used for local revitalization financing. This may be done through an interlocal agreement specifying the amount of regular property taxes that will be used. In order for a taxing district to use this option, they must adopt an ordinance to remove itself as a participating taxing district and instead participate through an interlocal agreement outlining the details of its participation.

Q. Are all property taxes eligible to be used for Local Revitalization Financing?

A. No. Only regular property taxes, as defined in RCW 84.04.140, can be used for Local Revitalization Financing. The following property taxes cannot be used for Local Revitalization Financing:

- Regular property taxes levied by Public Utility Districts for the purpose of making required payments of principal and interest on general indebtedness;
- State School Levy;
- All property taxes levied by school districts;
- Regular property taxes authorized by RCW 84.55.050 (lid lifts) that are limited to a specific purpose;
- Excess property tax levies that are exempt from the aggregate limits for junior and senior taxing districts as provided in RCW 84.52.043 ($5.90 limit).
- Property taxes that are specifically excluded through an interlocal agreement between the sponsoring local government and a participating taxing district as set forth in RCW 39.104.060(3).

Q. Is there a limit on the percentage of total assessed value a RA can encompass?

A. Yes. A RA cannot encompass more than 25% of the total assessed value of the taxable real property within the boundaries of the sponsoring local government at the time the RA is created.

Q. What is a property tax allocation revenue base value?

A. A property tax allocation revenue base value is the total of the assessed value of real property located within a RA, less the property tax allocation revenue value.

Q. What is a property tax allocation revenue value?

A. A property tax allocation revenue value is 75% of any increase in the assessed value of real property in a RA resulting from:

- The placement of new construction, improvements to property, or both, on the assessment roll, when the new construction and improvements are initiated after the RA is approved by the Department of Revenue;
- The cost of new housing construction, conversion, and rehabilitation improvements, when the cost is treated as new construction for purposes of chapter 84.55 RCW as provided in RCW 84.14.020, and the new housing construction, conversion, and rehabilitation improvements are initiated after the RA is approved by the Department of Revenue;
- The cost of rehabilitation of historic property, when the cost is treated as new construction for purposes of chapter 84.55 RCW as provided in RCW 84.26.070, and the rehabilitation is initiated after the RA is approved by the Department of Revenue;
- The increase in value of new construction consisting of an entire building in the years following the initial year, unless the building becomes exempt from property taxation.

The above increases in assessed value are included in the property tax allocation revenue value in the initial year (unless otherwise noted). The same amounts (initially included in the property tax allocation revenue value) are also included in subsequent years as part of the property tax allocation revenue value unless the property becomes exempt from property taxation.

Q. Who calculates the property tax allocation revenue base value and the property tax allocation revenue value?

A. The assessor, however, the distributions will be done by the treasurer.

Q. Are all increases in assessed value of real property within the RA included in the property tax allocation revenue value each year?

A. Generally, any increase in the assessed value of real property after the initial year is not included in the property tax allocation revenue value. The only exception to this are increases in assessed value based on the new construction of entire buildings that are initiated after the RA is approved by the Department of Revenue.

Q. What portion of the participating taxing district's regular property taxes will the participating taxing district still receive?

A. Each participating taxing district will receive that portion of its regular property taxes produced by the rate of tax levied on the property tax allocation revenue base value.

Q. What portion of the regular property taxes will the sponsoring local government receive?

A. Besides the portion of its regular property taxes produced by the rate of tax levied on the property tax allocation revenue base value, the sponsoring local government will also receive an additional portion of the regular property taxes levied by it and by or for each participating taxing district upon the property tax allocation revenue value within the RA. However, if there is no property tax allocation revenue value, the sponsoring local government will not receive any property tax allocation revenue.

Q. If a taxing district and/or local government participate in the local revitalization financing program, does the method in which the assessor calculates levies change?

A. No. Participation in the local revitalization financing program does not change the levy calculation process.

Q. The law does not define "entire building." For a single purpose structure, it seems fairly clear; however, for construction of condominiums that are less than an entire building, this could be an issue. The concept of condominiums is used not only for residential structures, but also for parking garages, and hotel/office building combinations. When a condominium is complete, does that constitute an "entire building" for allocation purposes?

A. For local revitalization financing purposes, an entire building is the entire physical structure. For example, if a new building containing 10 separate condominium units is constructed, the overall structure is considered an "entire building" regardless of whether the condominiums are used for residential purposes, parking garages, or other uses.

Q. What is the impact on the property tax allocation revenue value if a newly constructed residential condominium unit becomes exempt under the senior and disabled persons program?

A. The property tax allocation revenue value specifically excludes value associated with property that becomes exempt. Generally, property owners that qualify for the senior and disabled persons exemption program are exempt from a portion of their property tax, but are still subject to some tax. Unless the condominium unit becomes totally exempt, the portion of the assessed value of that unit remains in the property tax allocation revenue value. If the unit becomes entirely exempt for any reason, the assessed value of that unit would need to be excluded from the property tax allocation revenue value.

Q. If a RA was created in 2009 and a building located with the RA is demolished in 2011, what would be the effect on the assessed value of the RA and the property tax allocation revenue value?

A. As a result of the demolition of a building within the RA, the total assessed value of the RA would be reduced. If improvements were made to the building after the RA was created but before the building was demolished, the value of the improvements would still be included in the property tax allocation revenue value. If no improvements were made to the building after the RA was created and the building was demolished, there would be no effect on the property tax allocation revenue value because it is based on increases in assessed value due to new construction and improvements to property. If a new building is later constructed, the assessed value of the RA would increase and the property tax allocation revenue value would also increase.

Q. What is the impact, if any, on the property tax allocation revenue value if an exempt organization purchases land within the RA and builds a building which will be exempt from property taxes?

A. The property tax allocation revenue value is based on increases in assessed value of real property within the RA due to new construction and improvements to property. Assessed value is the valuation of taxable real property so because the building would not be taxable, there would be no new construction value associated with the building, and therefore no impact on the property tax allocation revenue value.

Q. How do the values of taxable personal property within the RA impact the property tax allocation revenue value?

A. Only the assessed value of real property is included when calculating the assessed value of the RA, so personal property is not included unless it is privately owned improvements located on publicly owned land.

Q. A RA was created in 2009. In what year will the Treasurer initiate the distribution of property tax allocation revenues to the sponsoring local government?

A. Distributions begin in the second calendar year following creation of the RA. Because the RA was created in 2009, the first distributions will be made in 2011 if property tax allocation revenues are available.

Q. At what point in time during the year are the property tax allocation revenue base value and the property tax allocation revenue value calculated and officially adopted as the values that will be used in the distribution formula?

A. The assessor will determine the property tax allocation revenue base value and the property tax allocation revenue value after the assessment roll is closed. Existing property and improvements to property will be assessed with reference to their value on January 1. New construction may be added to the assessment roll through August 31 and is assessed with reference to its value on July 31. Once the assessor has finished all of the valuation work, the assessment roll is closed. At that point, the assessor can calculate the property tax allocation revenue base value and the property tax allocation revenue value.

Q. Is revenue from all voter approved lid lifts excluded from the property tax allocation revenue value?

A. No. Specifically excluded from the definition of regular property taxes are regular property taxes authorized by RCW 84.55.050 that are limited to a specific purpose. RCW 84.55.050 authorizes lid lifts for taxing districts. Therefore, lid lifts that are limited to a specific purpose are excluded from the definition of regular property taxes and are not distributed to the sponsoring local government. If the lid lift does not have a specific purpose, it can be included in the distribution.

Q. Do I need to do anything special if I am the assessor or treasurer in the parent county of a joint taxing district participating in a RA?

A. WAC 458-19-005 defines a "joint taxing district" as a taxing district that exists in two or more counties, but the term does not include the state nor does it include an intercounty rural library district. In order for the levy rate to be uniform in a joint taxing district, one county should be in charge of calculating the levy rate. Usually, the county with the highest assessed value and/or the county with the district's headquarters calculates the levy rate.

While it is the responsibility of the sponsoring local government to notify all of the taxing districts within the RA, it would be beneficial for the parent county of a joint taxing district to communicate with the neighboring assessors and treasurers offices when a joint district is located within a RA. This will ensure that the total property tax allocation revenue base value and property tax allocation revenue value is reported and distributed to the sponsoring district correctly.

Q. If the property tax allocation revenue value includes 75% of any increase in the assessed value of new construction consisting of an entire building in the years following the initial

year, does the property tax allocation revenue value decrease by that amount if that building becomes exempt after it is constructed?

A. Yes. When property becomes exempt, the assessed value associated with that property is no longer included in the total assessed value of the RA and the amounts that were attributable to the increases in assessed value of that entire building would also no longer be included in the property tax allocation revenue value. The definition of this value specifically excludes value associated with property that becomes exempt.

Q. What if the value of new or rehabilitated housing, as described under Chapter 84.14 RCW, is exempt at the time the RA is created but later becomes taxable?

A. If the value of this type of housing is exempt at the time the RA is created, it is not included in the assessed value of the RA or the property tax allocation revenue value. If the housing later becomes taxable, it will be considered new construction for the purposes of Chapter 84.55 RCW and the assessor will list it as new construction on the assessment roll and include it in the property tax allocation revenue value.

Q. Can regular property tax levies that are not subject to the $5.90 limitation and the 1% Constitutional limit be included in the property tax allocation revenue value?

A. Yes. Regular property tax levies that are not subject to the $5.90 limitation and the 1% Constitutional limit, such as Ports, Emergency Medical Service (EMS), Conservation Futures, Affordable Housing, Metropolitan Parks, Criminal Justice, Transit levies, PUD, and Ferry Districts are included in the property tax allocation revenue value as long as they are not specifically excluded in RCW 39.104.020(18).

For more information. . .
If you have questions or need additional information about this topic, contact the Department of Revenue, Property Tax Division at (360) 534-1400.♦