Local Revitalization Financing Program: Property Tax Component Q & A's as of June 2, 2009

1. **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?**

   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.

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

   Participating taxing districts must allow the use of <u>all</u> of their local property tax allocation revenues for local revitalization financing as long as bond service, reserve, and other bond covenant requirements are outstanding. Once bond service, reserve, and other bond covenant requirements are satisfied, the sponsoring local government may agree to receive less than the full amount of the local property tax allocation revenues.

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

   Only regular property taxes, as defined in RCW 84.04.140, can be used for Local Revitalization Financing except:

   - 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).

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

   Yes. A RA cannot comprise an area containing 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.

5. **What is a property tax allocation revenue base value?**

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. 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.

6. **What is a property tax allocation revenue value?**

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). <u>These same amounts</u> (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.

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

The assessor. However, the distributions will be done by the treasurer.

8. **Are the increases in the assessed value of real property in the RA included in the property tax allocation revenue value each year?**

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 in the RA after approval.

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

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.

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

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.

11. 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?

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

12. 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?

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

13. 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?

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.

14. What if all buildings currently located within a RA will be moved or demolished late in 2009 and early in 2010. How does demolition of existing structures resulting in a decrease in total assessed value within the RA during the second year impact the property tax allocation revenue value and/or the property tax allocation revenue base value?

The assessed value of the RA is not impacted when property is demolished. The property tax allocation revenue value is based on new construction and improvements to property. Only when property becomes exempt is the property tax allocation revenue value negatively affected.

15. 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, such as the construction of a library by a library district?

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.

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

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. Locally assessed taxable utility property would be included to the extent that it meets the definitions of real property and property tax allocation revenue value; i.e., new construction initiated after approval of the RA, etc.

Utility property that is centrally assessed by the Department of Revenue would not be part of the assessed value of the RA because it is not added to the assessment roll as new construction.

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

Distributions begin in the second calendar year following approval of the RA. Because the RA was approved in 2009, the first distributions will occur in 2011.

18. 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?

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.

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

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 would **not** be excluded from the distribution.

20. 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?

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. These districts are also known as intercounty or split districts. In order for the levy rate to be uniform in the 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 is the one that 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 involved in 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.