

2004 PROPERTY TAX LEGISLATION

Bills became effective June 10, 2004, unless otherwise stated.

SHB 1322 – Property tax exemption: certain tribal property (Chapter 236, Laws of 2004)

The basic property tax exemption for governmental property is expanded to include certain property owned by federally recognized Indian tribes. The property must be used for essential government services by the tribe; this includes tribal administration, police and fire protection, health and education programs, utility services, and other public facilities of the tribe. Tribal property that consists of federal trust lands is already exempt from property tax; this exemption applies to non-trust lands owned by tribes, if used for the specified purposes. There is no impact on state revenues, but there may be a potentially small local impact. The amount of state and local property taxes that will be shifted to other taxpayers is estimated at nearly \$1 million annually.

HB 2519 - New property tax levy for criminal justice (Chapter 80, Laws of 2004)

A new property tax levy is authorized for criminal justice purposes. Only counties with populations of 90,000 or less may consider adoption of the levy. This restriction limits the utilization of the new levy to the 27 smallest counties in the state. The levy is limited to a maximum of \$0.50 and may be levied for up to six consecutive years if approved by the voters. If the new levy causes the combined levy rate to exceed the constitutional rate limitation, then it must be reduced until the combined rates are within the 1 percent limit. There is no impact on state revenues; the local impact will depend upon which counties choose to implement the new tax. HB 2519 is effective on July 1, 2004.

ESHB 2693 - Transfer of timber tax on public timber to counties (Chapter 177, Laws of 2004)

This legislation exempts all standing timber from ad valorem taxation and replaces it instead with a harvest/excise tax. The bill is estimated to reduce state revenues by \$144,000 for the remainder of the current biennium. The impact increases to \$861,000 for the 2005-07 Biennium and larger reductions in future years will occur as the county tax on public timber reaches its maximum 4 percent rate. ESHB 2693 becomes effective for 2004 assessment for taxes due in 2005.

SHB 2878 - County treasurer statutes; hotel/motel tax corrections (Chapter 79, Laws of 2004)

This bill contains a variety of amendments pertaining to programs administered by county treasurers. Several amendments clarify statutes that deal with property taxes. These include: the ability to collect property tax immediately on mobile homes and park model trailers when the owner has provided an affidavit of destruction; penalties received for failure to list personal property with the County assessor are to be distributed in the same manner as other property tax interest and penalties; personal property that is subject to any tax lien, not just priority liens, may not be removed from the state until the tax and interest thereon has been paid; and for property sold at a tax judgment sale when the highest bid is more than the minimum bid, the excess funds shall be refunded after any recorded water-sewer district liens have been paid. Also, the amendment clarifies that if the excess remains unclaimed after three years, all claims to the funds are extinguished when they are transferred to the county's current expense fund. There is no direct impact on state or local revenues associated with this bill.

SB 5034 - Senior citizens property tax exemption; income limits increased (Chapter 270, Laws of 2004)

The property tax exemption for eligible senior citizens and persons retired due to disability is increased by this legislation. Qualified applicants with \$35,000 or less of disposable income are exempt from all excess levies. Those with incomes between \$25,000 and \$30,000 are eligible for an exemption from all excess levies and are exempt from regular property tax levies on the greater of \$50,000 or 35 percent of the valuation of her/his residence but not to exceed \$70,000 of the value of the residence. Those with incomes less than \$25,000 are eligible for exemption from all excess levies and are exempt from regular property tax levies on the greater of \$60,000 or 60 percent of the valuation of the residence. The disposable income limit for participation in the property tax deferral program for eligible seniors or disabled homeowners who have remaining property tax liability is increased from the existing \$34,000 to \$40,000. The exemption is restricted to residences that are occupied by the owner as their principal place

of residence. However, confinement to a hospital or nursing home does not nullify the exemption, even if the residence is rented to help pay these costs. Section 1(1) extends these exceptions to include confinement in a boarding home or adult family home. The revision of the definition of disposable income in order to qualify for the exemption program now allows health insurance premiums paid for Medicare coverage to be excluded from disposable income. Also, the bill defines disability to be the same as under federal law. The bill will have no direct impact on state property tax receipts because the rate remains well below the statutory maximum. However, an estimated \$3.2 million will be shifted to other taxpayers during the first fiscal year; these shifts will total \$12.6 million during the full 2005-07 Biennium. The increased income threshold for the deferral program will result in additional state costs to reimburse counties of roughly \$118,000 during the remainder of the current biennium. Local governments will experience reduced property tax revenue of approximately \$3 million annually, with a shift of taxes to other taxpayers of about \$29 million. The changes in this bill affect taxes due in 2005.

SSB 5326 - Regional fire protection districts (Chapter 129, Laws of 2004)

This bill allows, by a vote of the people, the creation of regional fire protection service authorities (RFPSAs) for the design, financing, and development of fire protection services. Fire protection jurisdictions that may participate in the RFPSA include fire protection districts, cities, towns, ports, and Indian tribes. Such a district could include land in more than one county. Money may be raised through regional sales and use tax, benefit charges, and property taxes. Fire protection jurisdictions that participate in RFPSAs must reduce their property tax levy rate by the rate imposed by the RFPSA. There is no impact on state revenues, and no net change in local revenues is expected.

SB 6141 - Property tax exemption; vehicles with exempt licenses (Chapter 156, Laws of 2004)

This bill clarifies the exempt status of vehicles with exempt licenses. When the Legislature passed the bill to exempt motor vehicles from property taxation in response to the passage of Initiative 695 that limited the motor vehicle excise tax to \$30, motor vehicles with exempt license plates were inadvertently omitted from the property tax exemption. Included in the exemption are licenses issued to disabled veterans, former prisoners of war, Pearl Harbor survivors, etc. There is no impact on state revenues. If counties were presently taxing such vehicles, there would be a small local impact; however, none are doing so.

SSB 6216 - Alternate incidental uses of timber land (Chapter 217, Laws of 2004)

The definition of timber land is amended in RCW 84.34.020(3) which provides current use assessment of open space, agricultural and timber lands for property tax purposes. The amendment clarifies that the land may not include a residential homesite. It also allows alternate incidental uses of the land, as long as such uses are compatible with growing and harvesting of timber and do not constitute more than 10 percent of the area of the total parcel.

2SSB 6304 - Tax incentives for aluminum smelters (Chapter 24, Laws of 2004)

This legislation contains a variety of tax incentives intended to encourage the continued production of aluminum in Washington by: giving a preferential B&O rate, allowing a B&O credit from the sale of electricity and gas, issuing credit for sales tax on personal property that will be used in buildings, and by giving a public utility tax credit for sales of electricity or natural gas. This bill also provides a B&O tax credit for all property taxes paid during the calendar year on property that is owned by a direct service customer and that is reasonably necessary for purposes of an aluminum smelter. The credit is allowable for property taxes paid after July 1, 2004 through property taxes due and payable during calendar year 2006. Unused credits may be carried over to future periods, but no refunds for insufficient B&O tax liability are allowed. The entire bill is expected to reduce state revenues by \$1.7 million in FY 2005. The impact for the 2005-07 Biennium will be about \$3 million. 2SSB 6304 is effective on July 1, 2004.

See summary of property tax history at:

<http://dor.wa.gov/docs/reports/2000/Compare00/Chart%204.pdf>