

2006 PROPERTY TAX LEGISLATION

Bills became effective June 7, 2006, unless otherwise stated.

EHB 1069 - Performance audits of tax preferences (Chapter 197, Laws of 2006)

This legislation provides for the periodic review of tax exemptions, exclusions, deductions, credits, deferrals, and preferential tax rates. It creates a new organization - a seven-member Citizen's Commission for Performance Measurement of Tax Preferences - to oversee a process for reviewing tax preferences. The actual review shall be undertaken by the Joint Legislative Audit and Review Committee (JLARC). The general purpose of the review is to determine the extent to which the public policy objectives intended by the Legislature when the tax preference was enacted have been met. Several major tax exemption programs are excluded from the review process. JLARC shall report the findings of its review to the citizen's commission each year by the end of August and to the fiscal committees of the Legislature by December 30. The bill repeals a process providing for legislative review of tax exemptions which was established in 1982. The bill requires that the Department provide necessary support and information needed by JLARC or the Commission.

SHB 1510 - Use of exempt property by nonprofit organizations (Chapter 305, Laws of 2006)

This bill expands the ability of certain nonprofit organizations to use their exempt property for financial gain without losing their property tax exemption. For example, certain nonprofit organizations in counties with populations under 20,000, increased from 10,000, will be allowed to use their facilities for certain for-profit activities for 15 days per year, instead of three days, and keep their exempt status. Income received from the facility being rented or used for pecuniary gain is subject to certain conditions. The impact on local property taxes is unknown; no revenue impact on the state general fund.

SHB 2345 - Regional fire protection authorities (Chapter 200, Laws of 2006)

In 2004 a new form of taxing authority was formed to provide fire protection service on a regional basis. The bill imposes additional requirements for the district to establish such service and makes clarifying amendments to chapter 52.26 RCW. It mandates a financing plan and clarifies the voter requirements necessary to impose property taxes or benefit charges to finance services provided by the authority.

SHB 2569 - Senior citizens property tax deferral; interest rate reduced (Chapter 275, Laws of 2006)

This bill reduces the interest rate that applies to property taxes deferred by eligible seniors and disabled persons from 8 percent to 5 percent. The rate reduction applies to new deferrals granted after the effective date of this legislation and for taxes due in calendar year 2007 and thereafter. The reduced rates are anticipated to reduce general fund receipts by \$15,000 for the remainder of the current biennium and by \$150,000 for the 2007-09 Biennium. It also requires the Department to study the adequacy of the interest rate and to report back to the Legislature by December 1, 2012.

SHB 2804 - Use of exempt property of nonprofit schools and colleges (Chapter 226, Laws of 2006)

This bill expands the manner in which nonprofit schools and colleges are allowed to use their property while retaining a property tax exemption. The additional allowable uses include loan or rental of property to students, alumni, faculty, staff, or other entities if the use is consistent with the school's educational, social, or athletic programs. Other entities may use the property up to seven days annually for business purposes. In addition, a faculty member may use the exempt facilities to conduct educational camps or sports programs for nonstudents if the faculty member is required or permitted to do so under his or her compensation package. No impact is anticipated for the state or local property tax levies. Based on the one known property that will benefit from the expanded exemption, at least \$3,000 of the state levy and \$11,000 of local levies could be shifted to other taxpayers. However, the impact could be greater in the future as other schools allow expanded use of their property.

SHB 2812 - Limitations on special school M&O levies (Chapter 119, Laws of 2006)

Existing law limits the special levies that school districts may request for maintenance and operation purposes or for transportation or capital projects. However, RCW 84.52.0531 allows certain additions to the limitation for property taxes collected in calendar years 2005 through 2007. This bill extends these additions to the levy base through calendar year 2011. There is no impact on the state property tax levy.

SHB 3164 - Increased personal property exemption for head of family (Chapter 281, Laws of 2006)

This bill would implement HJR 4223 if that proposed constitutional amendment is approved by the voters at the general election in November 2006. The constitution of the state currently provides a property tax exemption of \$3,000 for personal property owned by a head of a family. The proposed constitutional amendment would increase the exemption amount to \$15,000. If it is adopted, then this bill will amend RCW 84.36.110 to increase the corresponding statutory exemption. The principal beneficiaries of the exemption are sole proprietors who are subject to personal property tax on business equipment and supplies. The increased exemption will shift tax burden to other property owners. About \$185,000 of the state levy and \$645,000 of local levies would be shifted annually. The bill would be effective on January 1, 2007, if the constitutional amendment is approved, thus impacting taxes due in calendar year 2008 and thereafter.

SSB 6141 - Value of wind turbines excluded from levy limit (Chapter 184, Laws of 2006)

This bill provides for uniform treatment of new wind turbine facilities, whether assessed by a county or the state, for purposes of the levy limits in chapter 84.55 RCW. The bill only impacts wind turbine projects that are subject to local assessment. Because the bill removes the valuation from the 1 percent limit on growth in regular levies, it has the effect of increasing state and local levies paid on such projects. One project is anticipated to be constructed in the near future. The estimated impact is based on one \$220 million project which would add \$272,000 to the state levy in Fiscal Year 2007 and \$538,000 in Fiscal Year 2008. The comparable increase in local levies is \$825,000 in Fiscal Year 2007 and \$1.6 million in Fiscal Year 2008. The bill first applies to property taxes payable in calendar year 2007.

SB 6280 - Property tax exemptions; irrevocable dedication (Chapter 319, Laws of 2006)

Nonprofit organizations qualify for property tax exemption based on the use of the property they own. This bill removes the irrevocable dedication restriction for leased properties that are leased by a nonprofit organization. There is no impact for the state property tax levy. For local levies there could be minimal shifts of taxes to other taxpayers.

SB 6338 - Senior citizens property tax exemption; acreage increased (Chapter 62, Laws of 2006)

This bill expands the senior citizen/disabled homeowner property tax exemption to cover the principal residence and up to five acres (from one acre) on which the residence is located when the additional land is required by land use regulations. There is no impact on state property tax levy receipts. However, the expanded exemption will shift approximately \$628,000 of the state levy and \$873,000 in local levies to other taxpayers. Local property tax levies are expected to reduce \$340,000 in Fiscal Year 2007. The expanded acreage applies to property taxes due in calendar year 2007 and thereafter.

ESSB 6787 - Property tax levy for ferry districts (Chapter 332, Laws of 2006)

This bill is directed toward operation of ferry service by local government rather than the state. The restriction to impose the 75 cent property tax levy for passenger-only ferry service is removed, and now a ferry district may levy the tax to finance any aspect of ferry service operated by the district. Also, ferry districts that utilize the property tax levy may be located in other counties (the 2003 property tax levy was restricted to King County). There is no impact on state revenues for this bill.

See summary of property tax history at:

<http://dor.wa.gov/content/statistics/2006/Compare06/default.aspx>