Multiple Agency Fiscal Note Summary

Bill Number: 5444 S SB	**Title:** Publicly owned proprty/taxes

Estimated Cash Receipts

Agency Name	2013-15		2015-17		2017-19	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	312,000	312,000	358,000	358,000	396,000	396,000
Total $	**312,000**	**312,000**	**358,000**	**358,000**	**396,000**	**396,000**

Local Gov. Courts *						
Loc School dist-SPI						
Local Gov. Other **		270,270		310,860		343,530
Local Gov. Total		270,270		310,860		343,530

Estimated Expenditures

Agency Name	2013-15			2015-17			2017-19		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.0	5,600	5,600	.0	0	0	.0	0	0
Total	**0.0**	**$5,600**	**$5,600**	**0.0**	**$0**	**$0**	**0.0**	**$0**	**$0**

Local Gov. Courts *									
Loc School dist-SPI									
Local Gov. Other **	Non-zero but indeterminate cost. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Impact

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

Prepared by: Cherie Berthon, OFM	**Phone:** 360-902-0659	**Date Published:** Final 7/10/2013

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID 35805

Department of Revenue Fiscal Note

Bill Number: 5444 S SB	**Title:** Publicly owned proprty/taxes	**Agency:** 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Account	FY 2014	FY 2015	2013-15	2015-17	2017-19
GF-STATE-State 01 - Taxes 59 - Leasehold Excise Tax	145,000	167,000	312,000	358,000	396,000
Total $	145,000	167,000	312,000	358,000	396,000

Estimated Expenditures from:

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	0.1		0.0		
Account					
GF-STATE-State 001-1	5,600		5,600		
Total $	5,600		5,600		

Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:		Phone:	Date: 04/02/2013
Agency Preparation:	Thomas Christensen	Phone: 360-534-1507	Date: 07/10/2013
Agency Approval:	Don Gutmann	Phone: 360-534-1510	Date: 07/10/2013
OFM Review:	Cherie Berthon	Phone: 360-902-0659	Date: 07/10/2013

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Note: This fiscal note reflects language in SSB 5444, 2013 Legislative Session.

Under current law, the assessor must give notice of any change in the value of real property within 30 days of the appraisal, with the exception of designated forest land.

The assessor is only required to maintain current assessment values of publicly owned exempt property if the property is being leased, in order to determine leasehold excise tax.

A lessee or sublessee (except in the case of a product lease) is allowed to credit the difference between the leasehold excise tax amount and the amount of property tax that would be computed under private ownership, if the amount of leasehold excise tax is greater.

This bill removes the assessor's obligation to send value change notices and maintain current property values on publicly owned property and removes the associated credit.

The assessor must value and list the property when the exempt status is removed as a result of a sale or change in use. The owner may then petition the county board of equalization for a change in the assessed value.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS/DATA SOURCES

Effective 90 days after the adjournment of the session in which it is enacted.
Eleven months of impact for Fiscal Year 2014.

Department of Revenue Leasehold Excise Tax data
Economic and Revenue Forecast Council, November 2012 forecast

REVENUE ESTIMATES

Eliminating this credit will result in an increase to the state general fund of approximately $145,000 in Fiscal Year 2014 and $167,000 in Fiscal Year 2015, the first full fiscal year.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):

FY 2014 - $ 145
FY 2015 - $ 167
FY 2016 - $ 175
FY 2017 - $ 183
FY 2018 - $ 194
FY 2019 - $ 202

Local Government, if applicable (cash basis, $000):

FY 2014 - $ 127
FY 2015 - $ 146
FY 2016 - $ 154
FY 2017 - $ 160
FY 2018 - $ 170
FY 2019 - $ 177

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing

FIRST YEAR COSTS:
The Department of Revenue (Department) will incur total costs of $5,600 in Fiscal Year 2014. These costs include:
Labor Costs – Time and effort equates to 0.05 FTEs.
- The amendment of two administrative rules.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	0.1		0.0		
A-Salaries and Wages	3,400		3,400		
B-Employee Benefits	1,000		1,000		
E-Goods and Other Services	900		900		
J-Capital Outlays	300		300		
Total $	$5,600		$5,600		

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2014	FY 2015	2013-15	2015-17	2017-19
HEARINGS SCHEDULER	32,688	0.0		0.0		
TAX POLICY SP 2	61,628	0.0		0.0		
TAX POLICY SP 3	69,756	0.0		0.0		
WMS BAND 3	88,546	0.0		0.0		
Total FTE's	252,618	0.1		0.1		

Part IV: Capital Budget Impact

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and dexcribe potential financing methods

NONE

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the Department will use the expedited process to amend WAC 458-16A-240, titled: " Senior citizen, disabled person, and one hundred percent disabled veteran exemption - Exemption described - Exemption granted - Exemption denied - freezing property values", and create a new section in WAC 458-12, titled: "Property tax division--Rules for assessors". Persons affected by this rule-making would include county assessors.

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 5444 S SB	**Title:** Publicly owned proprty/taxes

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- [X] Cities: Increased revenue
- [X] Counties: Increased revenue and decreased expenditures in county assessors' offices
- [X] Special Districts: Increased revenue
- [ ] Specific jurisdictions only:
- [X] Variance occurs due to: The number of tax-exempt parcels which would not be required to be assessed and the amount of staff time required per jurisdiction

Part II: Estimates

- [ ] No fiscal impacts.
- [ ] Expenditures represent one-time costs:
- [ ] Legislation provides local option:
- [ ] Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

Jurisdiction	FY 2014	FY 2015	2013-15	2015-17	2017-19
City	69,447	79,837	149,284	171,703	189,749
County	56,283	64,703	120,986	139,157	153,781
TOTAL $	125,730	144,540	270,270	310,860	343,530
GRAND TOTAL $					924,660

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

Fiscal Note Analyst: Alicia LeDuc	Phone: 360/725-5040	Date: 04/03/2013
Leg. Committee Contact:	Phone:	Date: 04/02/2013
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 04/03/2013
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 04/03/2013

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

CHANGES FROM ORIGINAL BILL VERSION (5444 SB):
The substitute bill changed the bill description from, "An act relating to creating greater efficiency in the offices of county assessor by eliminating the requirement to annually appraise tax-exempt government properties..." to "An act relating to administration of taxes regarding publicly owned property...." All other sections of the bill remain the same as the original version.

SUMMARY OF CURRENT BILL VERSION (5444 S SB):
The bill would remove the requirement that county assessors send value change notices and maintain current property values on publicly owned land. It clarifies that certain tax-exempt properties must be assessed if the property is no longer tax-exempt as a result of a sale or change in use as of the first of January of the year in which the exempt status changes.

The bill would also remove the lease hold excise tax credit for, and increased difference between, the leasehold excise tax amount and the amount that would be computed under private ownership.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

The bill would decrease county assessor costs by removing the requirement that assessors annually reassess the value of property exempt from taxation under 84.36.010 RCW. Doing so would reduce the workload for county assessors. The total cost savings would vary by county depending upon the number of tax-exempt parcels and time required by assessor staff to assess exempt parcels.

DISCUSSION:
Similar to the notice exemption for changes of valuation in forest land, the bill would exempt county assessors from being required to send notice of changes in valuation of certain public, public-private, and tribal properties that are exempt from taxation. Additionally, county assessors would no longer be statutorily required to value publicly owned property that is leased to or occupied by a private person when the assessor receives a request for valuation from the Department of Revenue or the lessee of the property. If the exempt status of a property changes as a result of a sale or change in use, the assessor must value and list the property as of the first of January of the year in which the status changes.

As an illustrative example, the King County Assessor's Office estimates that approximately 15 percent of appraiser staff time is spent assessing tax-exempt properties, assessments which serve minimal use and purpose. King County estimates it has over 20,000 exempt parcels. These parcels include all public school, public university and college, and airport property, among many others. Likewise, Yakima County has a significant number of tax-exempt properties, with only 23 percent of the county's land mass constituting taxable property. The remaining 77 percent is tax-exempt, including significant tracks of tribal land and federal forest. Under current statute these tax-exempt parcels must be reassessed annually. This process includes site visits, the documentation, measurement, and verification of any modifications to or changes in use of a property, as well as the recalculations of value. Hard copies of each assessment are then mailed for each parcel, which entails significant printing and postage costs to county assessors. Reducing the number of parcels that must be annually reassessed would significantly reduce staff, administrative, and mailing costs.

Valuation assessments are statutorily required to take workload priority over assessment appeals and new construction assessments. Depending upon the number of existing valued parcels and jurisdiction staff capacity, new construction assessments in particular may not be given adequate consideration, and in some cases current assessment backlogs result in new construction assessments not being completed. Removing the requirement that all tax-exempt properties must be annually reassessed would significantly reduce reassessment workload, which could provide more resources and staff time to address assessment appeals and new construction assessments.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

According to the Department of Revenue (DOR), this bill would increase local government leasehold excise tax revenue by $146,000 in FY 2015, the first full year of implementation.

The bill eliminates a leasehold excise tax credit for certain leasehold interests in publicly owned real or personal property, resulting in increased state and local tax revenue. In determining the amount of leasehold excise tax payable by certain lessees or sub-lessees, whose leasehold excise tax exceeds the amount of property tax that would apply to the property if it were privately owned by the lessee or sub-lessee, they no longer receive a tax credit. However, persons who would qualify for a residential property tax exemption if the leased property were privately owned and product leases continue to receive tax credits.

METHODOLOGY:
According to the DOR 2010 Tax Reference Manual, cities and counties may levy a local leasehold excise tax at a rate of up to 6.84 percent. Based on FY 2012 leasehold excise tax distributions, 44.8 percent would go to counties and 55.2 percent to cities. Because DOR administers this tax and retains 1 percent of the local tax receipts to cover this cost, 1 percent for DOR administration has also been deducted.

SOURCES:
Department of Revenue fiscal note
Department of Revenue 2010 Tax Reference Manual
Department of Revenue 2012 Tax Statistics, Table 22
Washington Association of County Officials
King County Assessor's Office
Yakima County Assessor's Office
1575 HB House bill report