Multiple Agency Fiscal Note Summary

Bill Number: 6330 S SB	**Title:** Housing/urban growth areas

Estimated Cash Receipts

Agency Name	2013-15		2015-17		2017-19	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	0	0	(2,000)	(2,000)	(4,000)	(4,000)
Total $	**0**	**0**	**(2,000)**	**(2,000)**	**(4,000)**	**(4,000)**

Local Gov. Courts *						
Loc School dist-SPI						
Local Gov. Other **		(1,000)		(5,000)		(7,000)
Local Gov. Total		(1,000)		(5,000)		(7,000)

Estimated Expenditures

NONE

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

Prepared by: Kathy Cody, OFM	**Phone:** (360) 902-9822	**Date Published:** Final 2/11/2014

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

** See local government fiscal note

FNPID: 37332

Department of Revenue Fiscal Note

Bill Number: 6330 S SB	Title: Housing/urban growth areas	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 50 - Property Tax				(2,000)	(4,000)
Total $				(2,000)	(4,000)

Estimated Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

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:	Alison Mendiola	Phone: 360-786-7483	Date: 02/10/2014
Agency Preparation:	Thomas Christensen	Phone: 360-534-1507	Date: 02/11/2014
Agency Approval:	Don Gutmann	Phone: 360-534-1510	Date: 02/11/2014
OFM Review:	Kathy Cody	Phone: (360) 902-9822	Date: 02/11/2014

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.

Current law permits a limited duration exemption from ad valorem property taxes to qualified newly built or rehabilitated multi-unit housing in designated urban centers. A county with an unincorporated population of at least 350,000 can designate an area within an urban growth area of the unincorporated county and must include a campus of an institution of higher learning, in addition to other criteria.

This legislation would extend this limited duration exemption from ad valorem property taxes for newly built or rehabilitated multi-unit housing to urban growth areas with a sewer system within rural counties having one incorporated city.

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

There will be one project each year that qualifies for a 10-year exemption.
Effective for taxes levied for collection in 2015 and thereafter.

DATA SOURCES

Economic and Revenue Forecast Council's November 2013 forecast
County multi-family residential data

REVENUE ESTIMATES

The average value for improvements classified as multi-family residential in rural counties is $209,000. This would reduce increases in levying capacity for the state by an additional $400 each calendar year of the exemption up to $4,000 per year after 10 years. Local regular district levying capacity would be reduced by an additional $1,000 each calendar year of the exemption up to $10,000 per year after 10 years.

TOTAL REVENUE IMPACT:

Impacts will change if the number of qualifying projects in a year is different than assumed, or if new construction is valued significantly different than the average multi-family residential unit.

State Government (cash basis, $000):
FY 2014 - $ 0
FY 2015 - $ 0
FY 2016 - ($ 1)
FY 2017 - ($ 1)
FY 2018 - ($ 2)
FY 2019 - ($ 2)

Local Government, if applicable (cash basis, $000):
FY 2014 - $ 0

FY 2015 - ($ 1)
FY 2016 - ($ 2)
FY 2017 - ($ 3)
FY 2018 - ($ 3)
FY 2019 - ($ 4)

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 functions.

The Department of Revenue will not incur any costs with the implementation of this legislation.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

NONE

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.

No rule-making required.

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 6330 S SB	**Title:** Housing/urban growth areas

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

Legislation Impacts:

- [ ] Cities:
- [X] Counties: Negligible reduction in property tax revenues; minor costs to adopt and administer property tax exemption
- [X] Special Districts: Negligible reduction in property tax revenues
- [X] Specific jurisdictions only: Rural counties with only one city
- [ ] Variance occurs due to:

Part II: Estimates

- [ ] No fiscal impacts.
- [ ] Expenditures represent one-time costs:
- [X] Legislation provides local option: Eligible counties could designate "residential targeted areas" under RCW 84.14 in urban growth areas with sewer systems
- [ ] 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
County		(522)	(522)	(2,610)	(3,654)
Special District		(478)	(478)	(2,390)	(3,346)
TOTAL $		(1,000)	(1,000)	(5,000)	(7,000)
GRAND TOTAL $					(13,000)

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

Fiscal Note Analyst: Jaime Rossman	Phone: 360-725-2717	Date: 02/10/2014
Leg. Committee Contact: Alison Mendiola	Phone: 360-786-7483	Date: 02/10/2014
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 02/10/2014
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 02/10/2014

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:
The current bill version reduces the scope of the original bill from applying to all urban growth areas to those specified below.

SUMMARY OF CURRENT BILL VERSION:
The bill would expand the multifamily housing property tax exemption (RCW 84.14) to properties located in an urban growth area with a sewer system in a rural county with only one incorporated city.

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.

CHANGES FROM PREVIOUS BILL VERSION:
None

SUMMARY OF EXPENDITURE IMPACTS:
A county seeking to designate a new area within an urban growth area to qualify for the multifamily housing property tax exemption under RCW 84.14 would have minor expenditure impacts to adopt an ordinance making the designation, and to administer the new property tax exemption. The Local Government Fiscal Note Program's Unit Cost Model estimates the typical cost to adopt a moderately-complex ordinance to be about $1,400. These costs include staff and attorney time, public hearings, notice, etc. Ongoing costs to administer the tax exemption would depend on the extent of development activity in the designated area, but are assumed to be negligible.

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.

CHANGES FROM PREVIOUS VERSION:
Revenue impacts, which had been indeterminate in the previous version, are now provided.

REVENUE IMPACTS OF CURRENT BILL VERSION:
The bill would reduce property tax revenues for a county, and special districts within the county, that choses to designate a new area within an urban growth area to qualify for the multifamily housing property tax exemption under RCW 84.14. The Department of Revenue (DOR) estimates that the total local revenue reduction would be $1,000 in FY 2015, rising to $4,000 in FY 2019. Impacts could vary from this estimate depending on the extent of application of the property tax exemption in eligible counties.

BACKGROUND:
Tax exemptions lower the taxable value against which taxing districts levy their taxes. When exemptions are enacted, taxing districts may compensate for the loss in taxable value by increasing the tax rate for taxpayers who are not eligible for the exemptions. Consequently, taxpayers who do not benefit from the exemption would pay a higher tax. This higher tax results in a tax shift from the exempt taxpayers to the non-exempt taxpayers. However, if a taxing district is restricted from increasing the tax rate due to a levy limit, the taxing district may incur a revenue loss.

For reference, DOR's 2008 Tax Exemption study indicated that the total local revenue impact of the existing property tax exemption under RCW 84.14 was anticipated to be about $2.2 million in 2011, with the majority of this impact being to shift the payment of those property taxes to other payers.

SOURCES:
Department of Revenue staff and fiscal note
2008 Tax Exemption study (http://dor.wa.gov/Content/AboutUs/StatisticsAndReports/2008/Tax_Exemptions_2008/Default.aspx)
Local Government Fiscal Note Program Unit Cost Model and Property Tax Calculator