

Multiple Agency Fiscal Note Summary

Bill Number: 5772 SB	Title: Property tax revenue limit
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Estimated Cash Receipts

Agency Name	2017-19		2019-21		2021-23	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	128,300,000	128,300,000	372,600,000	372,600,000	634,900,000	634,900,000
Total \$	128,300,000	128,300,000	372,600,000	372,600,000	634,900,000	634,900,000

Estimated Expenditures

Agency Name	2017-19			2019-21			2021-23		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.2	42,700	42,700	.1	19,000	19,000	.1	19,000	19,000
Total	0.2	\$42,700	\$42,700	0.1	\$19,000	\$19,000	0.1	\$19,000	\$19,000

Local Gov. Courts *									
Loc School dist-SPI									
Local Gov. Other **	Fiscal note not available								
Local Gov. Total									

Estimated Capital Budget Impact

NONE

Prepared by: Kathy Cody, OFM	Phone: (360) 902-9822	Date Published: Preliminary 2/ 9/2017
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 47097

FNS029 Multi Agency rollup

Department of Revenue Fiscal Note

Bill Number: 5772 SB	Title: Property tax revenue limit	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2018	FY 2019	2017-19	2019-21	2021-23
GF-STATE-State 01 - Taxes 50 - Property Tax	33,400,000	94,900,000	128,300,000	372,600,000	634,900,000
Total \$	33,400,000	94,900,000	128,300,000	372,600,000	634,900,000

Estimated Expenditures from:

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years	0.3	0.1	0.2	0.1	0.1
Account					
GF-STATE-State 001-1	33,200	9,500	42,700	19,000	19,000
Total \$	33,200	9,500	42,700	19,000	19,000

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.

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Agency Preparation: Valerie Torres	Phone: 360-534-1521	Date: 02/09/2017
Agency Approval: Kim Davis	Phone: 360-534-1508	Date: 02/09/2017
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 02/09/2017

Request # 5772-1-1

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 limits the amount the state and local regular property tax levies can increase each year.

For taxing districts with a population of less than 10,000 the limit factor is 101 percent times the highest lawful levy since 1985.

For taxing districts with a population of 10,000 or more (including the state) the limit factor is the lesser of:

- 101 percent, or
- 100 percent plus inflation

times the highest lawful levy since 1985, except for the state levy it is times the highest lawful levy in the last three years.

Taxing district's legislative authorities can have a limit factor of 101 percent

This bill changes the limit factor to mean the greater of:

- 100 percent plus population change and inflation, but not to exceed 105 percent, or
- 101 percent.

Inflation means the annual percentage increase in the Consumer Price Index for all urban consumers (CPI-U)) in the western region for all items as provided for the most recent twelve-month period by the Bureau of Labor Statistics by July 25th of the year before taxes are payable.

Population change means the percent increase in population of a taxing district between the two most recent years provided in the official Office of Financial Management's (OFM) April population estimates of the year before the taxes are payable. The population of a county means the population in the incorporated and unincorporated areas. For taxing districts that are not coterminous with one or more cities, towns, counties, or unincorporated county areas or any combination of the official OFM population estimates, then population change means:

- The city population change when the taxing district is fully inside a city,
- The county population change when the taxing district is fully inside a county, or
- The population change of the county with the greatest total taxable assessed value in the prior year for taxing districts located in more than one county.

The annual percent increase in population is calculated to the nearest tenth of one percent rounding up to the next tenth of one percent if the second decimal place of the annual percent increase is five or greater.

This bill also repeals the section allowing the taxing district to increase the limit factor to 101 percent with a finding of substantial need.

This bill applies to taxes levied for collection in 2018 and thereafter.

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

- Taxing districts with the same boundaries as a city or the county will use the population change for the city or county.
- Taxing districts contained within a city will use the population change for the city.
- Taxing districts contained within a county will use the population change for the county.
- Taxing districts with the same boundaries as multiple cities or counties will combine the population together for each

year and calculate the population change from the total population of the combined cities and counties.

- Taxing districts crossing county boundaries will use the population change for the county with the greater total assessed value in the prior year.
- The Economic and Revenue Forecast Council's published estimates of the forecasted national CPI-U approximate the CPI-U for the West region. For taxes due in Calendar Year 2018, the CPI-U will be 2.4 percent; for Calendar Year 2019, 2.1 percent; for Calendar Year 2020, 2.0 percent; for Calendar Year 2021, 2.3 percent; and for Calendar Year 2022 and beyond, 2.2 percent.
- The OFM forecast for state population change used for the state property tax levy for taxes due in Calendar Year 2018 will be 1.6 percent; for Calendar Year 2019, 1.5 percent; for Calendar Year 2020, 1.4 percent; for Calendar Year 2021, 1.2 percent; and for Calendar Year 2022 and beyond 1.0 percent.
- The population change through Calendar Year 2023 approximates the average increase in population between Calendar Year 2013 and Calendar Year 2016.
- For most taxing districts this estimate uses a 5-year average annual growth for existing property values to forecast value into the future, taxing districts in certain counties required adjusting the number of years used to calculate the average annual growth due to slower than average recovery from the Great Recession.
- For the six largest counties (Benton, Clark, King, Pierce, Snohomish, and Spokane), we applied the portion of new construction and total value for taxes due in 2016 to the Economic and Revenue Forecast Council's statewide forecast of new construction and total value.
- The change in state assessed properties grows as the Economic and Revenue Forecast Council forecasts the statewide change in state assessed properties.
- State levy values forecasted into the future were adjusted based on the relationship between the state levy value and the county general value for taxes due in 2016.
- The voter approved Sound Transit property tax levy has a rate of \$0.25 per \$1,000 assessed value each year through Calendar Year 2023.
- The levy calculation process for the \$5.90 aggregate limit prorates local taxing districts. Negative local impacts due to prorationing could be less if taxing districts participate in inter-local agreements to reduce certain taxing districts tax rate.
- Taxing districts that can protect a portion of their levy outside the \$5.90 aggregate limit will protect their levy to the maximum extent possible.
- No prorationing occurs under the \$10 constitutional aggregate limit due to the increase in the limit factor for the state property tax levy.
- Based on five years of state property tax collections, 52.62 percent of state property tax collections occur in April and 47.38 percent occur in October. When converting from calendar year to fiscal year, this estimate assumes revenues gains and losses follow this trend.

DATA SOURCES

- Economic and Revenue Forecast Council, November 2016 forecast
- Office of Financial Management, April 1, 2016 Population Estimates
- Office of Financial Management, State Population Forecast
- Department of Revenue, State Property Tax Model
- Department of Revenue, State Levy Calculations for Property Taxes Due in 2017
- County assessor data

REVENUE ESTIMATES

The Economic and Revenue Forecast Council predicts the state property tax levy remains below the \$3.60 limit throughout the 2021-23 Biennium.

This bill increases state revenues by an estimated \$33.4 million in the 6 months of impacted collections in Fiscal Year

2018, and by \$94.9 million in Fiscal Year 2019, the first full year of impacted collections.

This bill also increases local revenues by an estimated \$58.8 million in the 6 months of impacted collections in Fiscal Year 2018, and by \$169.6 million in Fiscal Year 2019, the first full year of impacted collections.

PROPERTY TAX SHIFTS

This legislation results in no state or local property tax levy shifts.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2018 -	\$ 33,400
FY 2019 -	\$ 94,900
FY 2020 -	\$ 154,700
FY 2021 -	\$ 217,900
FY 2022 -	\$ 284,100
FY 2023 -	\$ 350,800

Local Government, if applicable (cash basis, \$000): Net change to local property tax levies

FY 2018 -	\$ 58,800
FY 2019 -	\$ 169,600
FY 2020 -	\$ 283,200
FY 2021 -	\$ 410,800
FY 2022 -	\$ 550,100
FY 2023 -	\$ 695,900

Increasing the limit factor for taxing districts causes prorationing for library, hospital, fire, park and cemetery districts under the \$5.90 aggregate limit. These districts will lose \$1 million in Calendar Year 2018 and by Calendar Year 2023 the losses increase to \$3.6 million.

DETAIL OF REVENUE IMPACT FOR PROPERTY TAX BILLS, Calendar Year Basis

State Government, Impact on Revenues (\$000)

CY 2018 -	\$ 63,400
CY 2019 -	\$ 123,200
CY 2020 -	\$ 182,900
CY 2021 -	\$ 249,400
CY 2022 -	\$ 315,300
CY 2023 -	\$ 382,700

State Government, (\$000), Shift of Tax Burden: None.

Local Government, Impact on Revenues (\$000):

CY 2018 -	\$ 111,800
CY 2019 -	\$ 221,700
CY 2020 -	\$ 338,600
CY 2021 -	\$ 475,900
CY 2022 -	\$ 617,000
CY 2023 -	\$ 767,000

Local Government, (\$000), Shift of Tax Burden: None.

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.

FIRST YEAR COSTS:

The Department of Revenue (Department) will incur total costs of \$33,200 in Fiscal Year 2018. These costs include:

- Labor Costs - Time and effort equates to 0.3 FTE.
- Update forms, publications and training materials.
- Instruct assessors and taxing districts on calculating CPI-U and population changes.
- Amend four administrative rules. The Department would group these rules into a single rule making and incur only one rule-making cost.
- Adopt one new administrative rule.

SECOND YEAR COSTS:

The Department will incur total costs of \$9,500 in Fiscal Year 2019. These costs include:

- Labor Costs - Time and effort equates to 0.1 FTE.
- Respond to questions and provide technical advice.
- Audit levies to ensure the new limit factor is calculated and applied correctly.

ONGOING COSTS:

Ongoing costs for the 2019-21 Biennium equal \$19,000 and include similar activities described in the second-year costs. Time and effort equates to 0.1 FTE.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years	0.3	0.1	0.2	0.1	0.1
A-Salaries and Wages	21,100	6,300	27,400	12,600	12,600
B-Employee Benefits	6,300	1,900	8,200	3,800	3,800
E-Goods and Other Services	3,500	900	4,400	1,800	1,800
G-Travel	200	200	400	400	400
J-Capital Outlays	2,100	200	2,300	400	400
Total \$	\$33,200	\$9,500	\$42,700	\$19,000	\$19,000

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 2018	FY 2019	2017-19	2019-21	2021-23
ADM ASST 5	49,308	0.0		0.0		
EMS BAND 4	108,926	0.0		0.0		
EMS BAND 5	127,250	0.0		0.0		
HEARINGS SCHEDULER	34,284	0.0		0.0		
PROPERTY AND ACQUISITION	63,036	0.1	0.1	0.1	0.1	0.1
SP 5						
TAX POLICY SP 2	64,620	0.0		0.0		
TAX POLICY SP 3	73,140	0.1		0.1		
TAX POLICY SP 4	78,732	0.0		0.0		
Total FTE's	599,296	0.3	0.1	0.2	0.1	0.1

Part IV: Capital Budget Impact

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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 standard process to adopt one new rule under chapter 458-19 WAC. The standard process will also be used to amend WAC 458-19-005, titled: " Definitions"; WAC 458-19-010, titled: "Levy limit and levy rate calculations"; WAC 458-19-020, titled: "Levy limit - Method of calculation"; and WAC 458-19-045, titled: "Levy limit - Removal of limit (lid lift)". Persons affected by this rule making would include property taxing districts and county assessors and treasurers.