Multiple Agency Fiscal Note Summary

Bill Number: 1029 HB	**Title:** Seniors/disabled prprty tax

Estimated Cash Receipts

Agency Name						
	GF- State	Total	GF- State	Total	GF- State	Total
Total $						

Local Gov. Courts *						
Local Gov. Other **		(8,977,001)		(12,302,000)		(12,849,001)
Local Gov. Total		(8,977,001)		(12,302,000)		(12,849,001)

Estimated Expenditures

Agency Name	2003-05			2005-07			2007-09		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.1	424,100	424,100	.0	334,100	334,100	.0	270,600	270,600
Total	0.1	$424,100	$424,100	0.0	$334,100	$334,100	0.0	$270,600	$270,600

Local Gov. Courts *									
Local Gov. Other **	Indeterminate								
Local Gov. Total									

Prepared by: Doug Jenkins, OFM	**Phone:** 360-902-0563	**Date Published:** Revised 2/ 4/2003

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

** See local government fiscal note

Department of Revenue Fiscal Note

Bill Number: 1029 HB	**Title:** Seniors/disabled prprty tax	**Agency:** 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

FUND					
Total $					

Estimated Expenditures from:

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years	0.1		0.1		
Fund					
GF-STATE-State 001-1	234,200	189,900	424,100	334,100	270,600
Total $	234,200	189,900	424,100	334,100	270,600

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:	Mark Matteson	Phone: 360-786-7145	Date: 01/13/2003
Agency Preparation:	Diana Tibbetts	Phone: 360-570-6085	Date: 01/31/2003
Agency Approval:	Don Taylor	Phone: 360-570-6083	Date: 01/31/2003
OFM Review:	Doug Jenkins	Phone: 360-902-0563	Date: 01/31/2003

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 presents revised estimates for the impact on the senior citizens property tax deferral program.

Section 1 amends RCW 84.36.381. This section describes the residence and income qualifications for the property tax exemption for senior citizens and persons retired due to physical disability. In particular, the income limits have been increased in Subsection (5) of this section. The combined disposable income for exemption from excess levies and frozen values is increased from $30,000 to $34,000. For regular levies, the disposable income limits have been increased as follows:

For a person with a combined disposable income of $27,000 to $20,001 (currently $18,000 to 24,000), the applicant is exempt from regular property taxes on the greater of $46,000 (currently $40,000) or 35% of the assessed value of the residence, not to exceed $70,000 (currently $60,000).
For a person with a combined disposable income of $20,000 or less (currently $18,000), the applicant is exempt from regular property taxes on the greater of $57,000 (currently $50,000) or 60% of the assessed value of the residence.

Subsection (7) is new. This subsection states that the Department of Revenue shall adjust each combined disposable income and each valuation amount in this section to reflect inflation.

Section 2 amends RCW 84.36.383. The program uses the claimant's, the claimant's spouse's, and a co-tenant's (co-owners living with the claimant) combined income to qualify for the program. This legislation allows a co-tenant to take the deductions from income currently only allowed to the claimant and the claimant's spouse. Combined disposable income exclusions have been broadened. The following expenses have been excluded:

Expenses related to health care insurance, dental and vision coverage and any deductions from Medicare.
Long-term care insurance, as defined in RCW 48.84.020.
Durable medical equipment including parts and accessories.

Section 3 applies an effective date for taxes levied for collection in 2004, except for Section 1(7) with applies to taxes levied for collection in 2005.

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

Many data sources were used to derive these estimates including: the personal income model and the senior citizen exemption model, which is based on data submitted by county assessors. Other information sources include OFM population data and Consumer Expenditure Survey data.

AUDIT ASSESSMENTS (Impact resulting from recent audit activity)

This section is not applicable to property tax proposals.

CURRENTLY REPORTING TAXPAYERS (Impact for taxpayers who are known or estimated to be currently paying the tax in question)

The state property tax levy is predicted to remain below the $3.60 limit throughout the 2007-09 biennium. Therefore, there will be no loss to the state school levy. This legislation will result in a state levy shift to other taxpayers of an estimated $5.74 million for the first fiscal year, FY 2004, and $17.05 million for the 2003-2005 biennium.

An estimated 138 additional seniors would participate in the senior citizen deferral program because of the changes to the income definition. Additional deferrals are estimated to be $376,500 in the 2003-05 biennium.

TAXPAYERS NOT CURRENTLY REPORTING (Although some taxpayers may not now be paying the tax in question, some of them will become aware of their liability in the future, as a result of normal enforcement activities or education programs by the Department. The impact for such taxpayers is based on the Department's studies of average tax compliance)

This section is not applicable to this bill.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000): None.

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

FY 2004	-	$(3,024)
FY 2005	-	(5,953)
FY 2006	-	(6,084)
FY 2007	-	(6,218)
FY 2008	-	(6,355)
FY 2009	-	(6,494)

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

State Government, Impact of Revenues ($000): None.

State Government, ($000), Shift of Tax Burden:

CY 2004	-	$11,177
CY 2005	-	11,423
CY 2006	-	11,674
CY 2007	-	11,931
CY 2008	-	12,194
CY 2009	-	12,462

Local Government, Impact of Revenues ($000):

CY 2004	-	$(5,886)
CY 2005	-	(6,016)
CY 2006	-	(6,148)
CY 2007	-	(6,284)
CY 2008	-	(6,422)
CY 2009	-	(6,563)

Local Government, ($000), Shift of Tax Burden:

CY 2004	-	$41,105
CY 2005	-	42,010
CY 2006	-	42,934
CY 2007	-	43,878

CY 2008 - 44,844
CY 2009 - 45,830

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.

(Contact: Jim Thomas, 570-6128)

The Department would have to amend two existing administrative rules to reflect the provisions of this bill. The agency would incur the one-time $20,200 cost of drafting and promulgating the changed rules and the additional cost to revise, reprint and distribute a publication explaining the property tax programs for seniors and disable persons. The Department anticipates that during the first fiscal year there will be 138 additional seniors or disabled persons participating in the programs. Under existing law the agency is required to file liens to secure repayment of deferred taxes. This will result in additional administrative costs.

The state reimburses local governments for deferred taxes. During the first biennium this will require an additional $376,500 to reimburse local governments. Without an appropriation, the agency will not be able to fully implement this legislation.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years	0.1		0.1		
A-	8.300		8,300		
B-	2.200		2,200		
E-	27.200	8,700	35,900	14,900	12,100
J-	1.200		1,200		
N-	195.300	181,200	376,500	319,200	258,500
Total $	$234,200	$189,900	$424,100	$334,100	$270,600

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 2004	FY 2005	2003-05	2005-07	2007-09
HEARINGS SCHEDULER	30,900	0.0				
RULES MANAGER	69,500	0.0				
RULES POLICY SPECIALIST	68,598	0.0				
TAX POLICY SPEC 2	52,839	0.0				
TAX POLICY SPECIALIST 3	59,740	0.1		0.1		
Total FTE's		0.1		0.1		

Part IV: Capital Budget Impact

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.

The agency would amend WAC 458-16-010 and WAC 458-16-013. Parties interested in the rule making could include senior citizens and disabled persons, senior advocacy groups, local government officials and the public.

LOCAL GOVERNMENT FISCAL NOTE

Revised

Department of Community, Trade and Economic Development

Bill Number: 1029 HB	**Title:** Seniors/disabled prprty tax

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

Legislation Impacts:

- [X] Cities:
- [X] Counties:
- [X] Special Districts:
- [ ] Specific jurisdictions only:
- [ ] Variance occurs due to:

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 2004	FY 2005	2003-05	2005-07	2007-09
City	(950,443)	(1,871,028)	(2,821,471)	(3,866,518)	(4,038,441)
County	(1,222,301)	(2,406,203)	(3,628,504)	(4,972,469)	(5,193,566)
Special District	(851,256)	(1,675,770)	(2,527,026)	(3,463,013)	(3,616,994)
TOTAL $	(3,024,000)	(5,953,001)	(8,977,001)	(12,302,000)	(12,849,001)
GRAND TOTAL $					(34,128,002)

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

Fiscal Note Analyst: Thomas Dedrick	Phone: (360) 725-5037	Date: 02/01/2003
Leg. Committee Contact: Mark Matteson	Phone: 360-786-7145	Date: 01/13/2003
Agency Approval: Louise Deng Davis	Phone: (360) 725-5034	Date: 02/04/2003
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 02/04/2003

Part IV: Analysis

A. SUMMARY OF BILL

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

The proposed amendments in HB 1029 that impact local government relate to the eligibility determination of property tax relief for senior citizens and persons retired because of physical disability. Under current law a taxpayer must occupy the residence at the time the claim for exemption is made. Some exceptions are allowed, namely confinement to a hospital or nursing home.

Section 1 amends RCW 84.36.381 dealing with property tax exemption for qualified senior citizens and persons retired due to disability. This section describes the residence qualifications for the property tax exemption.

The income limits have been increased in Subsection (5) of this section. The combined disposable income for exemption from excess levies and frozen values is increased from $30,000 to $34,000. For regular levies, the disposable income limits have been increased as follows:

1) For a person with a combined disposable income of $20,000 to $27,000 (currently $18,000 to $24,000), the applicant is exempt from regular property taxes on the greater of $46,000 (currently $40,000) or 35% of the assessed value of the residence, not to exceed $70,000 (currently $60,000).

2) For a person with a combined disposable income of $20,000 or less (currently $18,000), the applicant is exempt from regular property taxes on the greater of $57,000 (currently $50,000) or 60% of the assessed value of the residence.

Language has been added instructing the Department of Revenue to annually adjust for inflation each combined disposable income amount and each valuation amount defined in the current law. Local government is impacted by the annual application of the resulting inflation adjustments.

Section 2 changes the definition of disposable income by adding health care coverage, long-term care insurance and durable medical equipment as deductions.

Section 3 applies an effective date for taxes levied in 2003 for collection in 2004.

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.

Although indeterminate, an expenditure impact of implementing the bill for county government may be significant.

DISCUSSION
The probable expenditure impact has two elements. The first represents a one-time cost for computer reprogramming. Computer expenses can be either flat fee based, often a minimum amount, or an hourly rate for work required. Although our sample of county assessors did not allow for statewide quantification, we were able to identify a potential cost. It is believed the range for costs would begin above $75,000, with an unknown ceiling.

The second cost element involves staffing issues, specifically: increased staff time to update the assessor's rolls; the increase in applicants for the senior exemption; and, any changes or additions to the definition of eligibility criteria that require documentation. County expenditures would be expected to increase due to staff involvement in interviewing and assisting senior citizens, both as current and potential claimants. Often, the claimants inability to present proper documentation at the initial interview unnecessarily complicates eligibility determination, thus adding to staff time.

Of particular note would be the impact on current individual county staffing levels. A county with fewer total FTE’s could be more adversely impacted than a county with a larger staffing level. Data reported by the assessors to the Department of Revenue indicate there are twenty-five (25) county assessor offices with 20 or fewer total staff; thirteen (13) offices with 20 to 100 total staff; and, one (1) county with more than 100 total staff.

These costs are indeterminate, at present. However, a survey of staffing impact for each component is planned.

ASSUMPTIONS:
Staffing impacts were estimated in a survey of county assessors. The responses gave estimates, primarily due to the variety of staffing impac elements under consideration. Computer reprogramming estimates were made by the same respondents.

DATA SOURCES:

Department of Revenue County Assessor Statistics for 2001
Survey of County Assessors from Benton, Columbia, Douglas, Franklin, San Juan, Snohomish, Thurston and Yakima Counties

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.

Initially, the FY 2004 local loss of revenue is estimated by the Department of Revenue (DOR) to be $3,024,000. Additionally, $41,105,000 would be expected to shift from senior citizens to the balance of taxpayers for CY 2004. The attached Table A summarizes fiscal year impacts by counties, cities and special districts. For the six year projection of local government impact, a total of $34,128,000 in revenue loss and $260,601,000 in tax shift are anticipated.

DISCUSSION & ASSUMPTIONS:
Local government revenue losses were computed by taking the DOR Fiscal Note data and multiplying the result by the property tax distribution for counties, cities, and special districts. These percentages are derived from published DOR 2002 Property Tax Statistics.

Note that a tax shift is presented by calendar year (CY) and a revenue loss is by fiscal year (FY). Taxes are assessed and collected by the counties on a calendar year basis. When a tax shift occurs, it is computed for the calendar year. A revenue loss occurs when the tax shift causes the amount to be levied to exceed the lid, or ceiling. Because the total amount to be collected is based on the jurisdiction budget, the difference between the budget and the amount collected, subject to a lid, is the revenue lost (i.e., there is no mechanism to collect it). Because revenue and expenditures are reported on a fiscal year, the revenue loss is also for a fiscal year.

DATA SOURCES:
Department of Revenue Property Tax Statistics for 2002
Department of Revenue Fiscal Note for HB 1029

TABLE A
Summary of Local Revenue Loss and Tax Shift
for bill: HB 1029

REVENUE LOSS

	COUNTIES	CITIES	SPEC. DIST	TOTAL
FY04	(1,222,301)	(950,443)	(851,256)	(3,024,000)
FY05	(2,406,203)	(1,871,028)	(1,675,770)	(5,953,000)
FY06	(2,459,153)	(1,912,201)	(1,712,646)	(6,084,000)
FY07	(2,513,316)	(1,954,317)	(1,750,367)	(6,218,000)
FY08	(2,568,691)	(1,997,377)	(1,788,933)	(6,355,000)
FY09	(2,624,875)	(2,041,064)	(1,828,061)	(6,494,000)
TOTAL	**(13,794,538)**	**(10,726,430)**	**(9,607,032)**	**(34,128,000)**

TAX SHIFT

	COUNTIES	CITIES	SPEC. DIST	TOTAL
CY04	9,663,786	7,518,105	23,923,110	41,105,000
CY05	9,876,551	7,683,629	24,449,820	42,010,000
CY06	10,093,783	7,852,629	24,987,588	42,934,000
CY07	10,315,718	8,025,286	25,536,996	43,878,000
CY08	10,542,824	8,201,968	26,099,208	44,844,000
CY09	10,774,633	8,382,307	26,673,060	45,830,000
TOTAL	**61,267,295**	**47,663,923**	**151,669,782**	**260,601,000**

Source: Department of Revenue (DOR)
Distribution computed from DOR 2002 Property Tax Statistics
Tax shift figures for special districts include school districts;
school districts do not experience a revenue loss