Multiple Agency Fiscal Note Summary

Bill Number: 2872 HB	Title: Mobile home landlords, rent

Estimated Cash Receipts

Agency Name	2019-21		2021-23		2023-25	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	(183,000)	(183,000)	(693,000)	(693,000)	(711,000)	(711,000)
Total $	**(183,000)**	**(183,000)**	**(693,000)**	**(693,000)**	**(711,000)**	**(711,000)**

Agency Name	2019-21		2021-23		2023-25	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other		(28,000)		(132,999)		
Local Gov. Total		(28,000)		(132,999)		

Estimated Operating Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Joint Legislative Audit and Review Committee	.2	66,400	66,400	.0	8,000	8,000	.0	0	0
Department of Revenue	.4	71,300	71,300	.7	132,400	132,400	.0	0	0
Total $	**0.6**	**137,700**	**137,700**	**0.7**	**140,400**	**140,400**	**0.0**	**0**	**0**

Agency Name	2019-21			2021-23			2023-25		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total $	**0.0**	**0**	**0**	**0.0**	**0**	**0**	**0.0**	**0**	**0**

Estimated Capital Budget Breakout

NONE

FNPID: 60117

Prepared by: Ramona Nabors, OFM	Phone: (360) 902-0547	Date Published: Final 2/13/2020

Individual State Agency Fiscal Note

Bill Number: 2872 HB	Title: Mobile home landlords, rent	Agency: 014-Joint Legislative Audit and Review Committee

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.0	0.4	0.2	0.0	0.0
Account					
General Fund-State 001-1	4,100	62,300	66,400	8,000	0
Total $	4,100	62,300	66,400	8,000	0

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:

[X] 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:	Tracey OBrien	Phone: 360-786-7152	Date: 01/28/2020
Agency Preparation:	Rachel Murata	Phone: 360-786-5293	Date: 01/29/2020
Agency Approval:	Keenan Konopaski	Phone: 360-786-5187	Date: 01/29/2020
OFM Review:	Linda Hamilton	Phone: (360) 902-0556	Date: 01/29/2020

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.

This bill creates a new property tax exemption for owners of mobile/manufactured home communities who do not increase rents by an amount greater than inflation.

Section 1. The bill includes a tax preference performance statement, which categorizes the preference as intended to provide tax relief. The specific intent is to provide partial property tax relief for maintaining affordable rents at mobile home parks.

If a JLARC review finds that the preference allows more mobile home tenants to remain in their homes or stabilizes rents in mobile homes in the state, then the Legislature intends to extend the expiration date of the tax preference. JLARC is required to report the number of landlords using the exemption, the number of tenants who moved out of mobile home parks over time, the annual increase in rents in mobile home parks over time, and any other metrics deemed useful.

Landlords may claim the exemption on 20% of the value of the property. Landlords must submit proof that rent did not increase by an amount greater than inflation in the year they apply for the exemption. They must report comprehensive rent data, tenant turnover rates and other information as required by the Department of Revenue.

The preference applies to taxes levied for collection in 2021 and 2022.

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.

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 bill requires JLARC staff to analyze the number of landlords using the exemption, as well as rent and tenant turnover data at exempt properties.

JLARC staff will work with the Department of Revenue immediately after passage of the bill to ensure project contacts are established, taxpayer applications and annual reports are designed to ensure collection of appropriate documentation and data, and that all elements necessary for future evaluation needs are addressed.

To provide the Legislature information in time for it to make a decision on continuing the preference, JLARC staff must publish the report by July 2021 to be heard by the Citizen Commission in July and be available for the 2022 Legislature. As a result, the report would likely include data through the end of 2020.

This tax preference review may require additional resources. The audit will be conducted and presented to JLARC consistent with the processes used for other tax preference reviews. Based on all tax preference legislation that is passed, JLARC may subsequently determine that it can absorb the costs for this proposed bill in its base budget, if the workload of other enacted tax preference legislation does not exceed current staffing. JLARC will assess all of the tax preference reviews mandated in the 2020 legislative session.

This audit will require an estimated 4 audit months.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst's time for a month, together with related administrative, support, and goods/services costs. JLARC's anticipated 2019-21 costs are calculated at approximately $20,100 per audit month.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2020	FY 2021	2019-21	2021-23	2023-25
001-1	General Fund	State	4,100	62,300	66,400	8,000	0
		Total $	4,100	62,300	66,400	8,000	0

III. B - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years		0.4	0.2		
A-Salaries and Wages	2,500	38,800	41,300	5,000	
B-Employee Benefits	800	12,400	13,200	1,600	
C-Professional Service Contracts					
E-Goods and Other Services	700	10,200	10,900	1,300	
G-Travel	100	900	1,000	100	
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	4,100	62,300	66,400	8,000	0

III. C - Operating FTE 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 2020	FY 2021	2019-21	2021-23	2023-25
Research Analyst	111,051		0.3	0.2		
Support staff	77,705		0.1	0.1		
Total FTEs			0.4	0.2		0.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

Part V: New Rule Making Required

Department of Revenue Fiscal Note

Bill Number: 2872 HB	Title: Mobile home landlords, rent	Agency: 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Account	FY 2020	FY 2021	2019-21	2021-23	2023-25
GF-STATE-State 01 - Taxes 50 - Property Tax		(183,000)	(183,000)	(693,000)	(711,000)
Total $		(183,000)	(183,000)	(693,000)	(711,000)

Estimated Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years		0.8	0.4	0.7	
Account					
GF-STATE-State 001-1		71,300	71,300	132,400	
Total $		71,300	71,300	132,400	

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:

[X] 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).

[X] Capital budget impact, complete Part IV.

[X] Requires new rule making, complete Part V.

Legislative Contact:	Tracey OBrien	Phone: 360-786-7152	Date: 01/28/2020
Agency Preparation:	Mark Studer	Phone: 360-534-1507	Date: 01/31/2020
Agency Approval:	Don Gutmann	Phone: 360-534-1510	Date: 01/31/2020
OFM Review:	Ramona Nabors	Phone: (360) 902-0547	Date: 02/13/2020

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
Not applicable. No current exemption.

PROPOSED LAW
Provides that a landlord owner of a mobile home park, manufactured housing community, or manufactured/mobile home community may receive an exemption from real property tax on 20 percent of the assessed value "eligible property."

Eligible property is defined as a rented mobile home park, manufactured housing community, or manufactured/mobile home community (RCW 59.20.030) that did not increase rents above inflation in the previous year.

Inflation is defined as the annual percentage increase for the most recent 12-month period for the Western region consumer price index for all urban consumers by the United States Bureau of Labor and Statistics.

A landlord claiming the exemption must annually file to the Department of Revenue (Department) for the exemption. The application must include:
- Documentation of rents, tenant turnover rates, and other information required by the Department; and
- Proof that rents for the eligible property "on both a per unit and property-wide basis" did not increase greater than inflation in the year in which the claim is filed.

This legislation becomes effective 90 days after adjournment of session for property taxes collection in 2021.

This exemption applies to taxes levied for collection in 2021 and 2022.

This legislation expires June 30, 2022.

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
- County Assessors have assigned proper land use codes to properties.
- Due to timing of the exemption and that it is a new exemption, participation rates are estimated to be limited for the two years of this exemption.
- Approximately 25 percent of the mobile/manufactured home parks will qualify for the exemption the first year (2021 taxes) and 50 percent the second year (2022 taxes).
- If the rent of one unit within the mobile/manufactured home park is increased by an amount greater than inflation the entire park is disqualified from receiving the exemption for that year.

DATA SOURCES
- County assessor data
- Economic and Revenue Forecast Council November 2019 forecasts
- Department of Revenue, State Property Tax Model

REVENUE ESTIMATES
The state property tax levy is temporarily rate based through Tax Year 2021 and changes to a budget based property tax

system in Tax Year 2022. A new exemption beginning in any year before 2022 results in a loss to the state levy.

A new or expanded property tax exemption that takes effect by Tax Year 2021 results in state revenue loss and does not shift state property taxes through Tax Year 2021. After Tax Year 2021 the state loss continues; however, a shift of state property taxes may occur as additional participants join the exemption program creating newly exempted parcels. Models used by the Department of Revenue do not measure a shift unless the proposed law state levy rate exceeds the current law levy rate. With many new and expanded exemptions, the proposed law state levy rate doesn't exceed the current law state levy rate even though additional participants join the program.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):

FY 2020 - $ 0
FY 2021 - ($ 183)
FY 2022 - ($ 347)
FY 2023 - ($ 346)
FY 2024 - ($ 351)
FY 2025 - ($ 360)

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

FY 2020 - $ 0
FY 2021 - ($ 28)
FY 2022 - ($ 82)
FY 2023 - ($ 51)
FY 2024 - $ 0
FY 2025 - $ 0

CALENDAR YEAR DETAIL:

State Government, Impact on Revenues ($000)

CY 2020 - $ 0
CY 2021 - ($ 345)
CY 2022 - ($ 348)
CY 2023 - ($ 346)
CY 2024 - ($ 355)
CY 2025 - ($ 365)

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

CY 2020 - $ 0
CY 2021 - $ 0
CY 2022 - $ 360
CY 2023 - $ 0
CY 2024 - $ 0
CY 2025 - $ 0

Local Government, Impact on Revenues ($000)

CY 2020 - $ 0

CY 2021 - ($ 52)
CY 2022 - ($ 109)
CY 2023 - $ 0
CY 2024 - $ 0
CY 2025 - $ 0

Local Government, ($000), Shift of Tax Burden
CY 2020 - $ 0
CY 2021 - $ 849
CY 2022 - $ 1,779
CY 2023 - $ 0
CY 2024 - $ 0
CY 2025 - $ 0

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:
There are no first year costs.

SECOND YEAR COSTS:
The Department will incur total costs of $71,300 in Fiscal Year 2021. These costs include:

Labor Costs – Time and effort equates to 0.77 FTEs.
- Adopt one administrative rule.
- Program and test computer system changes.
- Application processing and parcel information analysis.

ONGOING COSTS:
Ongoing costs for the 2021-2023 Biennium equal $132,400 and include similar activities described in the second year costs. Time and effort equates to 0.7 FTEs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years		0.8	0.4	0.7	
A-Salaries and Wages		43,800	43,800	83,200	
B-Employee Benefits		13,200	13,200	25,000	
E-Goods and Other Services		8,100	8,100	15,400	
G-Travel		1,400	1,400	2,800	
J-Capital Outlays		4,800	4,800	6,000	
Total $		$71,300	$71,300	$132,400	

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 2020	FY 2021	2019-21	2021-23	2023-25
EMS BAND 4	119,061		0.0	0.0		
MGMT ANALYST3	59,436		0.0	0.0		
PROPERTY AND ACQUISITION SP 3	59,436		0.7	0.4	0.7	
TAX POLICY SP 2	70,632		0.0	0.0		
TAX POLICY SP 3	79,944		0.0	0.0		
TAX POLICY SP 4	86,064		0.0	0.0		
WMS BAND 3	101,257		0.0	0.0		
Total FTEs			0.8	0.4	0.7	

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

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 adopt a new rule, titled: "Affordable mobile home rental rates". Persons affected by this rule-making would include lessors of mobile homes (landlords) and their tenants.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 2872 HB	Title: Mobile home landlords, rent

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

Legislation Impacts:

- [X] Cities: revenue loss and tax shift
- [X] Counties: same as above
- [X] Special Districts: same as above
- [ ] Specific jurisdictions only:
- [ ] Variance occurs due to:

Part II: Estimates

- [ ] No fiscal impacts.
- [ ] Expenditures represent one-time costs:
- [ ] Legislation provides local option:
- [X] Key variables cannot be estimated with certainty at this time: it is unknown if county assessors would be responsible for determining eligibility

Estimated revenue impacts to:

Jurisdiction	FY 2020	FY 2021	2019-21	2021-23	2023-25
City		(7,855)	(7,855)	(37,312)	
County		(9,611)	(9,611)	(45,650)	
Special District		(10,534)	(10,534)	(50,037)	
TOTAL $		(28,000)	(28,000)	(132,999)	
GRAND TOTAL $					(160,999)

Estimated expenditure impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 02/04/2020
Leg. Committee Contact: Tracey OBrien	Phone: 360-786-7152	Date: 01/28/2020
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/04/2020
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 02/13/2020

Part IV: Analysis

A. SUMMARY OF BILL

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

This bill would allow a landlord owner of a mobile home park, manufactured housing community, or manufactured/mobile home community a property tax exemption on 20 percent of the assessed value of an eligible property.

This bill would apply to property taxes collected in 2021 and 2022.

This bill would expire June 30, 2022.

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.

This bill may indeterminately increase county expenses.

It is unknown who would be responsible for determining eligibility for this property tax exemption.

Property tax exemptions, typically, require an application and approval process via the local county assessor's office.

Currently, county assessors do not track rents or interpret affordability. If county assessors were responsible for determining eligibility they would require training, data gathering, new forms and manuals, contracted software changes and appeals exposure, according to Thurston County. Thurston County predicts startup costs to be $25,000 per county. Admin costs for Thurston would be from a 1/4 FTE to a 1/2 FTE.

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 2021 local loss of revenue is estimated by the Department of Revenue (DOR) to be $(28,000), and $849,000 would be expected to shift from "eligible landlord owner of a mobile home park, manufactured housing community, or manufactured/mobile home community " to the balance of taxpayers for CY 2021. The above table summarizes fiscal year impacts by counties, cities and special districts due to revenue loss. For the FY 2021-23 projection of local government impact, a total revenue loss of $(161,000) and tax shift of $2,628,000 is anticipated.

ASSUMPTIONS & METHODOLOGY
- County Assessors have assigned proper land use codes to properties.
- Due to timing of the exemption and that it is a new exemption, participation rates are estimated to be limited for the two years of this exemption.
- Approximately 25 percent of the mobile/manufactured home parks will qualify for the exemption the first year (2021 taxes) and 50 percent the second year (2022 taxes).
- If the rent of one unit within the mobile/manufactured home park is increased by an amount greater than inflation the entire park is disqualified from receiving the exemption for that year.

Tax Shift and Revenue Loss

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, when a taxing district is restricted from increasing the tax rate due to a levy limit, the taxing district incurs a revenue loss. 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 DOR Property Tax Statistics for 2019.

Calendar Year vs. Fiscal Year

Note that a tax shift is presented by calendar year (CY) and a revenue loss is presented 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. Because revenue and expenditures are reported on a fiscal year basis, the revenue loss is also for a fiscal year.

REVENUE LOSS

COUNTIES
FY 2021 - (9,611)
FY 2022 - (28,145)
FY 2023 - (17,505)

CITIES
FY 2021 - (7,855)
FY 2022 - (23,004)
FY 2023 - (14,308)

SPECIAL DISTRICTS
FY 2021 - (10,534)
FY 2022 - (30,850)
FY 2023 - (19,187)

TAX SHIFT

COUNTIES
CY 2021 - 178,475
CY 2022 - 373,977

CITIES
CY 2021 - 145,875
CY 2022 - 305,667

SPECIAL DISTRICTS
CY 2021 - 524,650
CY 2022 - 1,099,356

SOURCES
Washington State Department of Revenue Property Tax Statistics (2019)
Washington State Department of Revenue Fiscal Note
Thurston County