

Multiple Agency Fiscal Note Summary

Bill Number: 5454 SB	Title: Labor day fires/prop. tax
-----------------------------	---

Estimated Cash Receipts

NONE

Agency Name	2021-23		2023-25		2025-27	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other		(8,000)		(11,000)		(12,000)
Local Gov. Total		(8,000)		(11,000)		(12,000)

Estimated Operating Expenditures

Agency Name	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	.0	3,500	3,500	3,500	.0	0	0	0	.0	0	0	0
Total \$	0.0	3,500	3,500	3,500	0.0	0	0	0	0.0	0	0	0

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
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

Prepared by: Ramona Nabors, OFM	Phone: (360) 902-0547	Date Published: Revised 3/ 4/2021
--	---------------------------------	---

Department of Revenue Fiscal Note

Revised

Bill Number: 5454 SB	Title: Labor day fires/prop. tax	Agency: 140-Department of Revenue
-----------------------------	---	--

Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.1		0.0		
Account					
GF-STATE-State 001-1	3,500		3,500		
Total \$	3,500		3,500		

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: Alia Kennedy	Phone: 360-786-7405	Date: 02/12/2021
Agency Preparation: Frank Wilson	Phone: 360-534-1527	Date: 03/04/2021
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 03/04/2021
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 03/04/2021

Request # 5454-2-2

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 a revision to the revenue impacts, and supersedes fiscal note number 5454-1.

CURRENT LAW:

Physical improvements to single-family dwellings are exempt from property tax for three assessment years after the completion of the improvement as long as the improvement represents 30 percent or less of the value of the original structure.

The exemption cannot be claimed more than once in a five-year period.

PROPOSED LAW:

This bill modifies the property tax exemption for improvements to single-family dwellings so that physical improvements to dwellings damaged by wildfires occurring in Washington State from September 1, 2020, through September 19, 2020, are exempt on the full value of the original structure for three years after the completion of the improvement. These improvements are not subject to the limitation that the exemption may not exceed 30 percent of the value of the original structure.

The provisions of RCW 82.32.805 and 82.32.808 do not apply to this act.

EFFECTIVE DATE:

The bill takes effect 90 days after final adjournment of the session in which it is enacted and applies to taxes levied in Collection Year 2022 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.

This revision is to update revenue impacts based on receipt of additional data from County Assessors and to note a constitutional issue that could potentially affect the revenue impacts.

ASSUMPTIONS

Model assumes the majority of taxpayers with fire damage will file a notice with their county assessor to receive the exemption in the first year eligible.

DATA SOURCES

- County assessor data supplied by the following counties: Douglas, Okanogan, Pierce, Thurston, Whitman & Yakima
- Department of Revenue, State Property Tax Model
- Economic and Revenue Forecast Council November 2020 forecasts
- Federal Emergency Management Agency (FEMA) - Declared Disasters 2020

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. Therefore, a new exemption beginning in 2022 or after results in a tax shift to non-exempt property and no loss to the state levy.

The Department believes this bill likely constitutes special legislation in violation of article II, section 28(5) of the

Washington Constitution. In applying article II, section 28, the courts have looked at whether the legislation creates a closed class. In addition, in determining whether an act constitutes special legislation, courts have focused on what the law excludes. To survive a challenge as special legislation, any exclusions from a statute’s applicability, as well as the statute itself, must be rationally related to the purpose of the statute. To qualify for the exception to the valuation limitation in SB 5454, the subject dwelling must have been “damaged by wildfires occurring in this state during the period September 1st through September 19th of calendar year 2020[.]” Thus, the bill creates a closed class. Moreover, under the act, all other dwellings damaged by wildfires (or any fires) during periods other than September 1, 2020, through September 19, 2020, are excluded from the act’s benefit. We think it would be difficult to convince a court of a rational reason to limit the exception solely to dwellings damaged by wildfires during the specified period in the bill. For these reasons, we believe it is likely the courts would conclude that SB 5454 constitutes special legislation. However the risk that SB 5454 would be challenged on constitutional grounds may be minimal.

If the courts were to strike down the bill as special legislation, the revenue impacts described in this fiscal note would be rendered obsolete.

TOTAL REVENUE IMPACT:

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

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

FY 2022 - (\$ 4)
FY 2023 - (\$ 8)
FY 2024 - (\$ 8)
FY 2025 - (\$ 9)
FY 2026 - (\$ 9)
FY 2027 - (\$ 9)

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

State Government, Impact on Revenues (\$000): None

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

CY 2022 - \$ 41
CY 2023 - \$ 41
CY 2024 - \$ 43
CY 2025 - \$ 43
CY 2026 - \$ 45
CY 2027 - \$ 46

Local Government, Impact on Revenues (\$000)

CY 2022 - (\$ 8)
CY 2023 - (\$ 8)
CY 2024 - (\$ 8)
CY 2025 - (\$ 9)
CY 2026 - (\$ 9)
CY 2027 - (\$ 9)

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

CY 2022 - \$ 108
CY 2023 - \$ 111
CY 2024 - \$ 117
CY 2025 - \$ 122
CY 2026 - \$ 128
CY 2027 - \$ 137

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 will incur total costs of \$3,500 in Fiscal Year 2022. These costs include:

- Labor Costs - Time and effort equates to 0.07 FTEs.
- Amend one administrative rule.

ONGOING COSTS:

There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.1		0.0		
A-Salaries and Wages	2,300		2,300		
B-Employee Benefits	800		800		
E-Goods and Other Services	200		200		
J-Capital Outlays	200		200		
Total \$	\$3,500		\$3,500		

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 2022	FY 2023	2021-23	2023-25	2025-27
EMS BAND 4	119,061	0.0		0.0		
MGMT ANALYST4	70,956	0.0		0.0		
TAX POLICY SP 2	72,756	0.0		0.0		
TAX POLICY SP 3	82,344	0.0		0.0		
TAX POLICY SP 4	88,644	0.0		0.0		
WMS BAND 3	101,257	0.0		0.0		
Total FTEs		0.1		0.1		

III. C - 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

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 458-16-080, titled: "Improvements to single-family dwellings-Definitions-Exemption-Limitation-Appeal rights."

Persons affected by this rule making would include property owners with dwellings damaged by wildfires from September 1, 2020, through September 19, 2020.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5454 SB	Title: Labor day fires/prop. tax
-----------------------------	---

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

Legislation Impacts:

- ☒ Cities: loss of property tax revenue, tax shift
- ☒ Counties: loss of property tax revenue, tax shift
- ☒ Special Districts: loss of property tax revenue, tax shift
- ☐ 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 2022	FY 2023	2021-23	2023-25	2025-27
City	(825)	(1,375)	(2,200)	(3,025)	(3,300)
County	(1,021)	(1,702)	(2,723)	(3,745)	(4,086)
Special District	(1,154)	(1,923)	(3,077)	(4,230)	(4,614)
TOTAL \$	(3,000)	(5,000)	(8,000)	(11,000)	(12,000)
GRAND TOTAL \$					(31,000)

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 02/18/2021
Leg. Committee Contact: Alia Kennedy	Phone: 360-786-7405	Date: 02/12/2021
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/18/2021
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 02/18/2021

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 amend RCW 84.36.400 to:

- change the exemption to not exceed 30 percent of the value of the original structure
- exempt from property tax the improvements made to homes damaged by wildfires from September 1, 2020 through September 19, 2020 for the full value of the original structure. This would apply to taxes levied for collection in 2022 and thereafter for three assessment years subsequent to the completion of the improvement.

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 would not impact local government expenditures.

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 2022 local loss of revenue is estimated by the Department of Revenue (DOR) to be \$3,000 and \$71,000 would be expected to shift to the balance of taxpayers for CY 2022.

ASSUMPTIONS

Model assumes the majority of taxpayers with fire damage will file a notice with their county assessor to receive the exemption in the first year eligible.

DATA SOURCES

- County Assessors Data
- Department of Revenue, State Property Tax Model
- Economic and Revenue Forecast Council November 2020 forecasts

Breakdown of revenue Impact:

COUNTIES

FY 2022	-\$1,021
FY 2023	-\$1,702
FY 2024	-\$1,702
FY 2025	-\$2,043
FY 2026	-\$2,043
FY 2027	-\$2,043

CITIES

FY 2022	-\$825
FY 2023	-\$1,375
FY 2024	-\$1,375
FY 2025	-\$1,650
FY 2026	-\$1,650
FY 2027	-\$1,650

SPECIAL DISTRICTS

FY 2022	-\$1,154
FY 2023	-\$1,923
FY 2024	-\$1,923
FY 2025	-\$2,307
FY 2026	-\$2,307
FY 2027	-\$2,307

Breakdown of tax shift

COUNTIES

CY 2022	\$14,148
CY 2023	\$14,547
CY 2024	\$15,144
CY 2025	\$15,742
CY 2026	\$16,539
CY 2027	\$17,735

CITIES

CY 2022	\$11,425
CY 2023	\$11,747
CY 2024	\$12,230
CY 2025	\$12,713
CY 2026	\$13,357
CY 2027	\$14,322

SPECIAL DISTRICTS

CY 2022	\$45,427
CY 2023	\$46,706
CY 2024	\$48,626
CY 2025	\$50,545
CY 2026	\$53,104
CY 2027	\$56,943

ASSUMPTIONS AND METHODOLOGY:

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 versus 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. Tax shift figures for special districts include school districts; school districts do not experience a revenue loss.

Sources:

Department of Revenue fiscal note, 5454 SB (2021)

Department of Revenue Property Tax Statistics 2019

Local Government Fiscal Note "Tax Shift and Revenue Loss Model" (2021)

Senate Bill Report, SB 5454, Way & Means Committee (02/18/2021)