

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5387 SB	<b>Title:</b> Renters tax credit
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## Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	(538,300,000)	(538,300,000)	(538,300,000)	(2,081,900,000)	(2,081,900,000)	(2,081,900,000)	(2,187,100,000)	(2,187,100,000)	(2,187,100,000)
<b>Total \$</b>	<b>(538,300,000)</b>	<b>(538,300,000)</b>	<b>(538,300,000)</b>	<b>(2,081,900,000)</b>	<b>(2,081,900,000)</b>	<b>(2,081,900,000)</b>	<b>(2,187,100,000)</b>	<b>(2,187,100,000)</b>	<b>(2,187,100,000)</b>

## Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	40.9	15,275,200	15,275,200	15,275,200	62.0	25,169,400	25,169,400	25,169,400	247.5	515,968,900	515,968,900	515,968,900
<b>Total \$</b>	<b>40.9</b>	<b>15,275,200</b>	<b>15,275,200</b>	<b>15,275,200</b>	<b>62.0</b>	<b>25,169,400</b>	<b>25,169,400</b>	<b>25,169,400</b>	<b>247.5</b>	<b>515,968,900</b>	<b>515,968,900</b>	<b>515,968,900</b>

Agency Name	2023-25			2025-27			2027-29		
	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	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

Agency Name	2023-25			2025-27			2027-29		
	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 Breakout

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**Date Published:**  
Final

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5387 SB	<b>Title:</b> Renters tax credit	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
GF-STATE-State 01 - Taxes 50 - Property Tax		(538,300,000)	(538,300,000)	(2,081,900,000)	(2,187,100,000)
<b>Total \$</b>		(538,300,000)	(538,300,000)	(2,081,900,000)	(2,187,100,000)

### Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	29.5	52.3	40.9	62.0	247.5
<b>Account</b>					
GF-STATE-State 001-1	4,636,600	10,638,600	15,275,200	25,169,400	515,968,900
<b>Total \$</b>	4,636,600	10,638,600	15,275,200	25,169,400	515,968,900

### 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: 60-786-7405	Date: 01/16/2023
Agency Preparation: Mark Studer	Phone: 60-534-1507	Date: 01/22/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/22/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/23/2023

Request # 5387-1-1

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

#### CURRENT LAW:

A homestead exemption exempts a portion of the value of a primary residence from property taxes. A renter's credit provides property tax relief to renters for a portion of rent attributable to property taxes. Current Washington law does not provide for a homestead exemption or a renter's credit.

#### PROPOSAL:

This proposal provides a homestead exemption administered locally by county assessors and treasurers, and a renter's credit administered by the Department of Revenue (department).

#### HOMESTEAD EXEMPTION:

Initially, the homestead exemption is a reduction of \$250,000 of assessed value of a person's primary residence for purposes of parts one and two of the state property tax levy beginning with property taxes levied for collection in 2025. The exemption cannot exceed the value of a parcel and must be equalized by the combined indicated ratio for the county where the parcel is located. The homestead exemption does not apply to any local property tax levies.

The homestead exemption is limited to only one residential parcel that is owned in fee or by contract purchase as the claimant's principal residence as defined and includes:

- Residential parcels consisting of less than three dwelling units, including single-family dwellings on United States, tribal, or Washington state land, and fixed in location mobile homes.
- Residential units in a multiunit residential dwelling, provided each unit is owned and taxed separately.
- Residential floating homes.
- Residences in cooperative housing associations and mobile/manufactured home park cooperatives if the exemption passes through to the claimant.
- Life estates under certain criteria.

#### The homestead exemption:

- Requires a claimant to file a signed declaration with the county assessor and continues for no more than six consecutive years unless a renewal declaration is filed with the assessor.
- Requires the county assessor to notify claimants when it is time to renew the exemption.
- Requires notification of the exemption on residential property tax statements and revaluation notices.
- Is in addition to the senior citizens and people with disabilities property tax exemptions.
- Must not shift taxes to other taxpayers as a result of the exemption.
- Provides an appeal process for claimants who are denied an exemption.
- Allows refunds for claims received after the due date under certain circumstances.
- Provides a mechanism to recover an exemption received in error by a claimant, including interest but not penalties.

#### The proposal requires the department to:

- Develop all forms necessary for the homestead exemption, or approve forms developed by county assessors.
- Annually adjust the amount of the homestead exemption by the percentage change in the state levy beginning with taxes levied for collection in 2026.

The proposal requires an amendment to the state Constitution and the voter approval of the amendment in November 2023. The proposal can then take effect January 1, 2024, with the homestead exemption beginning with state property taxes levied for collection in 2025.

## RENTER'S CREDIT:

This proposal also creates a department-administered renter's credit in the form of a refund, subject to funds appropriated for this specific purpose, beginning in calendar year 2025 for rent paid by a claimant in calendar year 2024. The refund amount is based on a percentage of the rent paid that approximates the amount of state property taxes due up to the first \$250,000 of assessed value.

The renter's credit:

- Defines "rent constituting property taxes" as 2% of the gross rent paid.
- Defines "gross rent" as the amount of rent paid by a claimant in cash or its equivalent for the right of occupancy of a residence, that includes:
  - A single-family dwelling unit.
  - A unit in a multiunit residential dwelling where each unit is rented separately.
  - Accessory dwelling units.
  - A manufactured home or floating home.
  - Manufactured home park lots.
- Is limited to one credit per claimant, including an individual or individuals who reside in the same household and may not be combined with a homestead exemption, except for a single-family dwelling unit located on leased land for which the combined renter's credit for the land and the owner's homestead exemption may not exceed the maximum homestead exemption allowed.
- Requires the claimant to be a Washington resident for at least 183 days in a calendar year.
- Cannot exceed the amount otherwise provided by the homestead exemption.
- Is not available unless the rental property where the claimant resided is subject to property tax for the year the renter's credit is claimed.

The proposal requires claimants to annually file an application for a renter's credit by December 31. Claimants must provide

- Attestation of gross rent paid for the prior year.
- Proof of rent for the year prior, as evidenced by a lease agreement signed by both the landlord and tenant.
- Other documentation as required by the department.

Additionally, the proposal allows claimants to file late applications for up to six months after the deadline, provides an appeal process for claimants denied a refund, and provides a mechanism for the department to impose penalties if a claimant fraudulently receives a refund.

In order to administer the renter's credit, the proposal requires the department to:

- Develop and maintain a centralized computer system for the filing and processing of applications and issuance of refund payments, subject to appropriated funds.
- Annually adjust the maximum renter's credit to be equivalent to the maximum allowed by the homestead exemption.
- Require information necessary to verify and validate the claimant's gross rent.

The proposal requires an amendment to the state Constitution and the voter approval of the amendment in November 2023. The proposal can then take effect January 1, 2024, with refunds beginning in 2025, for rent paid in calendar year 2024. However, due to the time it will take to set up a statewide computer system, the department is unable to implement the renter's credit portion of this bill until January 1, 2028. The department can start taking applications for the renter's credit

January 1, 2028, for rent paid in 2027.

The new tax preference performance provisions do not apply to this proposal.

**EFFECTIVE DATE:**

Legislation enacting this proposal takes effect January 1, 2024, for property taxes levied for collection in 2025. However, due to the time it will take to program this bill's changes, the department is unable to accept the first renter's credit applications until January 1, 2028.

**II. B - Cash receipts Impact**

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

**ASSUMPTIONS:**

- The homestead exemption applies to both part one and part two of the state levy.
- The homestead exemption does not apply to local levies.
- The department estimates 75% of potential claimants will participate in the renter's credit program the first year, 80% in year two, 85% in year three, and 90% in year four and thereafter.
- The department assumes 100% of potential homeowners will participate in the homestead exemption.
- For purposes of this estimate, the department assumes most of the renter's credit applications will be received within the first six months of the year.
- The homestead exemption amount is adjusted by each county's combined indicated ratio for the prior year to provide a uniform exemption statewide.
- Voters approve the constitutional amendment in November 2023.
- Based on the current forecasted value, the calendar year 2025 maximum taxpayer saving due to the homestead exemption is approximately \$500.
- Either the Legislature will not appropriate funds for the renter's credit payments until 2028, or the bill will be amended to extend the effective date of the renter's credit from January 1, 2025, to January 1, 2028, to provide the department with sufficient time to put the systems and infrastructure in place to administer the renter's credit.
- Approximately 50% of the renter's credit applications received in the first year will have refunds issued in FY2028. The remaining 50% of the renter's credit will be processed and credits/refunds will be issued in FY2029.
- The department acquires the necessary infrastructure and personnel to administer this proposal by January 2028.
- The department assumes the renter's credit will be expenditures requiring an appropriation. Amounts needed are shown within the expenditure section of this fiscal note.

**DATA SOURCES:**

- Department of Revenue, State Property Tax Levy Model
- Economic and Revenue Forecast Council, November 2022 forecast
- Department of Revenue, State Levy Calculations for Property Taxes Due for 2023
- County assessor data
- Census Bureau, American Community Survey 2016-2020 5-year dataset

**REVENUE ESTIMATES:**

This bill decreases state revenues by an estimated \$538.3 million in the six months of Fiscal Year 2025 and by \$1.028 billion in Fiscal Year 2026, the first full year of the homestead exemption. This bill does not impact local revenues.

**TOTAL REVENUE IMPACT:**

State Government (cash basis, \$000):  
 FY 2024 - \$ 0

FY 2025 - (\$ 538,300)  
 FY 2026 - (\$ 1,028,200)  
 FY 2027 - (\$ 1,053,700)  
 FY 2028 - (\$ 1,080,000)  
 FY 2029 - (\$ 1,107,100)

Local Government, if applicable (cash basis, \$000): None

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

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

CY 2024 - \$ 0  
 CY 2025 - (\$ 1,028,200)  
 CY 2026 - (\$ 1,053,700)  
 CY 2027 - (\$ 1,080,000)  
 CY 2028 - (\$ 1,107,100)  
 CY 2029 - (\$ 1,135,100)

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

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

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

**II. C - Expenditures**

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

**ASSUMPTIONS:**

This estimate affects 3,000,000 taxpayers, and expenditures assume:

- 2,000,000 taxpayers for the homestead tax exemption, and
- 1,000,000 for the equivalent renter's credit.

The department will administer the renter's credit, and individual counties will administer the homestead exemption. The department will treat the renter's credit as an expenditure and will require appropriations to make credit payouts.

- The department will start accepting applications beginning January 2028.
- Project initiation, the procurement process for a new system, and implementation of that new system will take approximately four years.
- The first applications for the renter's credit will be processed in fiscal year 2028.
- The new system will integrate fraud detection into the process.
- There may be a higher percentage of renters that may apply via paper applications.
- There will be a new division created within the department to administer the renter's credit.
- This estimate reflects only the department's costs. This proposal may impact other state agencies or local governments.

**FIRST YEAR COSTS:**

The department will incur total costs of \$4,636,600 in fiscal year 2024. These costs include:

- Labor Costs - Time and effort equate to 29.52 FTEs.
- Begin the process of amending 10 administrative rules.
- Begin the process of adopting 10 new administrative rules.

- Provide technical advice, interpretation, and analysis for internal use during the implementation process.
- Provide administrative support.
- Set up, program, and test a computer system designed to accept and process /refund applications for payment, including an internet-based application process, processing queues, tracking, imaging of paper applications, and electronic funds transfers.
- Identify publications, printed materials, web information, and media advertising that the department may need to create to publicize the tax credit.
- Organize a new division within the department to administer the credit, develop policies and procedures, and create a new call center to provide customer service to applicants and potential applicants.
- A new senior assistant director and administrative assistant in the department's executive division.
- Design and develop forms and other materials to enable the processing of credit applications.
- Answer telephone questions concerning the qualifications and application process for the exemption and credit.
- Respond to email and written correspondence.

Object Costs - \$850,500.

- Acquire additional software licenses and computer support services.
- Contract computer system programming.
- Contract program management.
- Training and travel.

#### SECOND YEAR COSTS:

The department will incur total costs of \$10,638,600 in fiscal year 2025. These costs include:

Labor Costs - Time and effort equate to 52.32 FTEs.

- Continue the process of amending 10 administrative rules and adopting 10 new administrative rules.
- Provide technical advice, interpretation, and analysis for internal use during the implementation process.
- Provide administrative support.
- Continuing computer system programming and testing.
- Further development of the new division, including organization, policies and procedures, and a new call center to provide customer service to applicants and potential applicants.
- Further development of printed materials, web information and media advertising.
- Continued design and development of forms and other materials to enable the processing of credit applications.
- Answer telephone questions concerning the qualifications and application process for the exemption and credit.
- Respond to email and written correspondence.
- Increase in payroll, human resources, and administrative functions to service new employees.

Object Costs - \$3,947,700.

- Acquire additional and renew software licenses and computer support services.
- Contract computer system programming.
- Contract program management.
- Training and travel.

#### THIRD YEAR COSTS:

The department will incur total costs of \$11,465,200 in fiscal year 2026. These costs include:

Labor Costs - Time and effort equate to 53.72 FTEs.

- Continue the process of amending 10 administrative rules and adopting 10 new administrative rules.
- Provide technical advice, interpretation, and analysis for internal use during the implementation process.
- Provide administrative support.
- Continuing computer system programming and testing.
- Further development of the new division, including organization, policies and procedures, and a new call center to provide customer service to applicants and potential applicants.
- Further development of printed materials, web information, and media advertising.
- Continued design and development of forms and other materials to enable the processing of credit applications.
- Answer telephone questions concerning the qualifications and application process for the exemption and credit.
- Respond to email and written correspondence.
- Increase in payroll, human resources, and administrative functions to service new employees.

Object Costs - \$4,777,300.

- Acquire additional and renew software licenses and computer support services.
- Contract computer system programming.
- Contract program management.
- Training and travel.

#### FOURTH YEAR COSTS:

The department will incur total costs of \$13,704,200 in fiscal year 2027. These costs include:

Labor Costs - Time and effort equate to 70.36 FTEs.

- Continue the process of amending 10 administrative rules and adopting 10 new administrative rules.
- Provide technical advice, interpretation, and analysis for internal use during the implementation process.
- Provide administrative support.
- Continuing computer system programming and testing.
- Further development of the new division, including organization, policies and procedures, and a new call center to provide customer service to applicants and potential applicants.
- Further development of printed materials, web information, and media advertising.
- Continued design and development of forms and other materials to enable the processing of credit applications.
- Answer telephone questions concerning the qualifications and application process for the exemption and credit.
- Respond to email and written correspondence.
- Develop training materials for individuals receiving and processing claims for the credit.
- Print and mail special notice to all those affected by this legislation.
- Increase in payroll, human resources, and administrative functions to service new employees.

Object Costs - \$5,077,700.

- Acquire additional and renew software licenses and computer support services.
- Contract computer system programming.
- Contract program management.
- Training and travel.
- Front counter buildout design and construction for department field offices.

#### ONGOING COSTS:

Ongoing costs for the 2027-29 biennium equal \$515,968,900 and these costs include:

Labor Costs - Time and effort equate to 191.36 FTEs in fiscal year 2028 and 303.7 FTEs in fiscal year 2029.

- Continue the process of amending 10 administrative rules and adopting 10 new administrative rules.
- Ongoing computer system maintenance, programming, and testing.
- Provide technical advice, interpretation, and analysis for internal use.
- Provide administrative support.
- Answer telephone questions concerning the qualifications and application process for the exemption and credit.
- Preparation and training of new staff to process and respond to credit applications.
- Additional staff in the department's field offices to assist applicants.
- Additional staff for system administration, service desk, network, and telephony.
- Establish new accounts for all applications received.
- Receive mail and paper correspondence, key-in application information, process paper documents for scanning, index data items, and verify imaging.
- Manually process certain applications, including verification of application claims, calculation of credit and issuing refunds.
- Review electronic applications, including verification of application claims and issuing refunds.
- Review reports, scrutinize data, and examine accounts, then make corrections as necessary. Correspond with taxpayers impacted by these account or application changes to resolve discrepancies.
- Issue billings for refunds requested or granted in error.
- Increased collection efforts to investigate, assess, and resolve outstanding delinquencies.
- Hear additional administrative reviews that provide renter's credit claimants with an informal, non-adversarial dispute resolution process for the review of a disputed action by the department, such as a denial of an application for the credit, a notice of the amount of credit the claimant is eligible for, or a notice to repay credit paid in error.
- Increase in payroll, human resource, and administrative functions to service new employees.
- Answer telephone questions concerning the exemption and credit.
- Respond to email and written correspondence.
- Update and maintenance of account information for those who have previously submitted a credit application.

Object Costs - \$467,100,500.

- Appropriations for the renter's credit of \$453,500,000.
- Contract computer system programming.
- Contract program management.
- Tenant improvement cost for unleased office space.
- Department of Enterprise Services fees for design and lease development.
- Annual lease cost for office space.
- Services for issuing refund payments.
- Renew software licenses and computer support services.
- Service contract for fraud detection.
- Work with media vendor for outreach media materials and campaign.
- Promotional goods.
- Translation services for various media uses.
- Print and mail credit applications and other correspondence for those who cannot apply electronically.
- Front counter buildout design and construction for department field offices.
- Warrant filing fees and postage for collection of delinquent accounts of claimants required to repay a renter's credit that

they were not entitled to.

- Purchase 44 additional agent seat licenses for the telephone information center.
- Training and travel.
- Sending IRS 1099 forms to recipients.

This fiscal note assumes the renter's credit would be an expenditure requiring an appropriation to the department. The department estimates the following necessary appropriations by fiscal year:

FY 2028 - \$145,200,000  
 FY 2029 - \$308,300,000

PLEASE NOTE: The department expects that its ongoing costs for fiscal years 2030 and beyond will be similar to the costs shown in this fiscal note for fiscal year 2029.

### Part III: Expenditure Detail

#### III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	29.5	52.3	40.9	62.0	247.5
A-Salaries and Wages	2,340,700	4,322,700	6,663,400	10,039,000	29,952,200
B-Employee Benefits	772,300	1,426,400	2,198,700	3,312,800	9,884,100
C-Professional Service Contracts	845,000	3,105,000	3,950,000	6,785,000	4,151,300
E-Goods and Other Services	460,700	938,400	1,399,100	4,110,500	15,620,000
G-Travel	11,300	24,000	35,300	54,000	116,500
J-Capital Outlays	206,600	822,100	1,028,700	868,100	2,744,800
N-Grants, Benefits & Client Services					453,500,000
<b>Total \$</b>	<b>\$4,636,600</b>	<b>\$10,638,600</b>	<b>\$15,275,200</b>	<b>\$25,169,400</b>	<b>\$515,968,900</b>

**III. B - Detail:** FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
ADM ASST 3	44,808	0.1	0.1	0.1	0.6	1.4
ADM ASST 5	57,324	1.0	2.0	1.5	2.0	2.0
COMMUNICATIONS CNSLT 5	77,028	1.0	1.0	1.0	1.0	1.0
CONTRACTS SPECIALIST 3	71,520	1.0	1.0	1.0		
CUSTOMER SERV SP2	40,812					6.8
EMS BAND 4	126,619	0.5	1.0	0.8	1.0	1.0
EMS BAND 5	147,919	0.5	1.0	0.8	1.0	1.0
FISCAL ANALYST 2	49,404	0.2	0.4	0.3	0.5	2.0
FISCAL ANALYST 3	57,324	0.5	1.0	0.8	1.0	1.0
FISCAL TECHNICIAN 3	39,852					1.8
FORMS AND RECORDS ANALYS 1	40,812					1.2
FORMS AND RECORDS ANALYS 1	60,156	0.5	1.0	0.8	1.0	1.0
SUPV						
HUM RES CNSLT 1	51,888	1.0	1.0	1.0	1.0	2.5
HUM RES CNSLT 2	58,704				0.5	1.0
HUM RES CNSLT 4	71,520	1.0	1.0	1.0	1.0	2.5
INVESTIGATOR 3	68,076				1.0	4.0
INVESTIGATOR 4	71,520				0.5	1.0
IT APP DEV-ENTRY	82,260				0.5	1.0
IT APP DEV-JOURNEY	88,428		2.0	1.0	2.0	2.0
IT ARCH-SR/SPEC	107,484	0.5	1.0	0.8	1.0	
IT B A-JOURNEY	88,428	1.5	2.0	1.8	2.0	1.5
IT CUST SUP-ENTRY	66,228					2.5
IT DATA MGT-JOURNEY	92,844		1.0	0.5	1.0	1.0
IT NTWK & TEL-JOURNEY	88,428		2.0	1.0	1.4	0.4
IT PROJ MGT-JOURNEY	92,844		1.0	0.5	1.0	0.5
IT QA-JOURNEY	88,428	0.5	1.0	0.8	1.5	0.5
IT SECURITY-SR/SPEC	102,372		2.0	1.0	2.0	2.0
IT SYS ADM-JOURNEY	92,844		2.0	1.0	2.0	2.0
MGMT ANALYST3	63,216	0.5	1.0	0.8	1.0	1.0
MGMT ANALYST4	73,260	2.7	3.2	3.0	8.8	11.4
MGMT ANALYST5	80,952	3.8	5.8	4.8	5.8	5.8
PROCUREMENT AND SUPPLY SP	50,592	0.1	0.2	0.2	0.2	1.0
PROGRAM SPECIALIST 4	66,420				0.5	1.0
PROGRAM SPECIALIST 5	73,260				0.5	1.0
PROPERTY AND ACQUISITION SI	68,076	1.0	2.0	1.5	2.0	2.0
PROPERTY AND ACQUISITION SI	73,260	1.5	3.0	2.3	3.0	3.0
PUBLIC BENEFITS SPECIALIST 2	50,592					39.1
PUBLIC BENEFITS SPECIALIST 3	54,492					65.9
PUBLIC BENEFITS SPECIALIST 4	57,324					16.2
PUBLIC BENEFITS SPECIALIST 5	61,632					9.7
REVENUE AGENT 2	57,324					4.5
REVENUE AGENT 3	63,216					1.3
REVENUE AGENT 4	66,420					2.0
TAX INFO SPEC 1	44,808					19.5
TAX INFO SPEC 4	66,420	1.6	1.6	1.6	2.2	2.1
TAX POLICY SP 2	75,120	0.5	0.5	0.5	0.5	3.5
TAX POLICY SP 3	85,020	4.1	5.1	4.6	4.6	3.7
TAX POLICY SP 4	91,524	0.7	0.7	0.7	0.7	1.0
WMS BAND 1	76,918	1.2	1.2	1.2	1.2	1.2
WMS BAND 2	94,669	1.0	2.0	1.5	3.1	6.0

WMS BAND 3	107,685	0.9	1.4	1.2	1.4	1.4
<b>Total FTEs</b>		29.5	52.3	40.9	62.1	247.6

**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**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill 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 458-16A-100, titled: "Senior citizen, disabled person, and disabled veteran exemption-Definitions."
- WAC 458-16A-110, titled: "Senior citizen, disabled person, and disabled veteran exemption-Gross income."
- WAC 458-16A-115, titled: "Senior citizen, disabled person, and disabled veteran exemption-Adjusted gross income."
- WAC 458-16A-120, titled: "Senior citizen, disabled person, and disabled veteran exemption-Determining combined disposable income."
- WAC 458-16A-130, titled: "Senior citizen, disabled person, and disabled veteran exemption-Qualifications for exemption."
- WAC 458-16A-135, titled: "Senior citizen, disabled person, and disabled veteran exemption-Application procedures."
- WAC 458-16A-140, titled: "Senior citizen, disabled person, and disabled veteran exemption-Exemption described-Exemption granted-Exemption denied-Freezing property values."
- WAC 458-16A-150, titled: "Senior citizen, disabled person, and disabled veteran exemption-Requirements for keeping the exemption."
- WAC 458-19-085, titled: "Refunds-Procedures-Applicable limits."
- WAC 458-19-550, titled: "State levy- Apportionment between counties."

The department will also use the standard process to adopt 10 new rules under Title 458-WAC.

Persons affected by this rulemaking would include up to 3,000,000 homeowners and renters.

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5387 SB

Title: Renters tax credit

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

### Legislation Impacts:

- Cities:
- Counties: indeterminate costs to administer the homestead exemption
- 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: administrative costs to counties to implement the homestead exemption

### Estimated revenue impacts to:

None

### Estimated expenditure impacts to:

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

## Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 01/23/2023
Leg. Committee Contact: Alia Kennedy	Phone: 360-786-7405	Date: 01/16/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/23/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/23/2023

## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

*Description of the bill with an emphasis on how it impacts local government.*

This bill would create a property tax homestead exemption administered locally by county assessors and treasurers, and a renter's credit administered by the Department of Revenue.

The homestead exemption does not apply to any local property tax levies. The proposal requires an amendment to the state Constitution and the voter approval of the amendment in November 2023. The proposal can then take effect January 1, 2024, with the homestead exemption beginning with state property taxes levied for collection in 2025.

The renter's credit, issued in the form of a refund, is based on a percentage of the rent paid that approximates the amount of state property taxes due up to the first \$250,000 of assessed value. This would not affect local property tax collections. The proposal requires an amendment to the state Constitution and the voter approval of the amendment in November 2023. The proposal can then take effect January 1, 2024, with refunds beginning in 2025, for rent paid in calendar year 2024. However, due to the time it will take to set up a statewide computer system, the department is unable to implement the renter's credit portion of this bill until January 1, 2028. The department can start taking applications for the renter's credit January 1, 2028, for rent paid in 2027.

### **B. SUMMARY OF EXPENDITURE IMPACTS**

*Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.*

This bill would require that county assessors and treasurers administer the homestead exemption. There would be indeterminate administrative costs associated with implementing the exemption, but likely minimal.

### **C. SUMMARY OF REVENUE IMPACTS**

*Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.*

This bill would not affect the local property taxes collected, only the state portion of property taxes.