

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5618 SB	<b>Title:</b> Local property tax limit
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## Estimated Cash Receipts

NONE

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other		238,600,000		737,800,000		1,297,600,000
Local Gov. Total		238,600,000		737,800,000		1,297,600,000

## 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	.1	18,900	18,900	18,900	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>0.1</b>	<b>18,900</b>	<b>18,900</b>	<b>18,900</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>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 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

<b>Prepared by:</b> Cheri Keller, OFM	<b>Phone:</b> (360) 584-2207	<b>Date Published:</b> Final 2/ 7/2023
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# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5618 SB	<b>Title:</b> Local property tax limit	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Expenditures from:**

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.2		0.1		
<b>Account</b>					
GF-STATE-State 001-1	18,900		18,900		
<b>Total \$</b>	18,900		18,900		

**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:	Phone:	Date: 01/30/2023
Agency Preparation: Mark Studer	Phone: (60) 534-1507	Date: 02/06/2023
Agency Approval: Valerie Torres	Phone: (60) 534-1521	Date: 02/06/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/06/2023

Request # 5618-1-1

## 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:

Current law annually limits a taxing district's increase in its regular property tax levy or levies by the applicable "limit factor," plus an additional amount based on the prior year's levy rate multiplied by the increase in assessed value in the district from:

- New construction.
- Construction of wind turbine, solar, biomass, and geothermal facilities.
- Improvements to property.
- State-assessed property.
- Real property within a local tax increment finance area designated by a local government.

Current law defines:

- "Limit factor" as:
  - For taxing districts with a population of less than 10,000, 101%.
  - For all other districts, the lesser of 101% or 100% plus inflation. However, if inflation is less than 1%, then taxing districts, except the state, that adopt a substantial need resolution can have a limit factor up to 101%.
- "Inflation" as the percentage change in the implicit price deflator (IPD) for personal consumption expenditures for the United States as published for the most recent 12-month period by the Bureau of Economic Analysis of the federal Department of Commerce by September 25th of the year before the taxes are payable.

#### PROPOSAL:

This proposal increases the regular property tax levy growth limit for local tax districts by revising the definition of "inflation" and "limit factor."

This proposal revises the definition of "inflation" for both state and local property levies to mean the annual percentage increase in the consumer price index for all urban consumers (CPI-U) in the western region for all items as provided for the most recent 12-month period by the Bureau of Labor Statistics of the United States Department of Labor by July 25 of the year before the year the taxes are payable.

This proposal revises the definition of "limit factor" for all local taxing districts' regular property tax levies, as follows:

- For taxing districts with a population of less than 10,000, 103%.
- For all other local districts, the lesser of 103% or 100% plus population change and inflation. However, if population change plus inflation is less than 3%, then taxing districts who adopt a substantial need resolution may have a limit factor up to 103%.

This proposal defines "population change" to mean the annual percent increase in the population of a taxing district between the two most recent years, as provided in the official population estimates published by the Office of Financial Management for April 1 of the year before the taxes are payable. The definition of population change also:

- Provides that if a taxing district's population decreases, the population change is zero.
- Specifies how to calculate the population change for taxing districts located in more than one county, city, town, or any combination of counties, cities, and towns.
- Requires the Department of Revenue to provide county assessors the limit factors by September 1 of the year prior to the levy year.
- Requires the county assessor to determine the limit factor applicable to each taxing district in the county and notify each taxing district of the applicable factor by October 1, of the year prior to the levy year.

**EFFECTIVE DATE:**

This proposal takes effect beginning with property taxes due for Calendar Year 2024.

**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 limit factor for the state levies remains unchanged.
- Taxing districts taking less than the current 101% limit will not utilize the increased limit factor.
- No prorationing occurs under the \$5.90 aggregate limit due to the increase in the limit factor.
- No prorationing occurs under the \$10 constitutional aggregate limit due to the increase in the limit factor.
- Based on five years of state property tax collections, 52.36% of property tax collections occur in April and 47.64% occur in October. When converting from calendar year to fiscal year, this estimate assumes revenue gains and losses follow this trend.

**PROPERTY TAX SHIFTS:**

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

**DATA SOURCES:**

- Economic and Revenue Forecast Council, November 2022 forecast
- Office of Financial Management, April 1, 2022, Population estimates
- Office of Financial Management, State population forecast
- Department of Revenue, State Property Tax Model
- Department of Revenue, State levy calculations for property taxes due for 2023
- County assessor data

**LOCAL GOVERNMENT IMPACT:**

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

FY 2024 -	\$ 60,000
FY 2025 -	\$ 178,600
FY 2026 -	\$ 303,400
FY 2027 -	\$ 434,400
FY 2028 -	\$ 574,200
FY 2029 -	\$ 723,400

**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: None

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

CY 2024 -	\$ 114,600
CY 2025 -	\$ 236,800
CY 2026 -	\$ 364,000
CY 2027 -	\$ 498,500
CY 2028 -	\$ 643,100
CY 2029 -	\$ 796,400

**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.

**FIRST YEAR COSTS:**

The department will incur total costs of \$18,900 in fiscal year 2024. These costs include:

- Labor Costs - Time and effort equate to 0.15 FTE.
- Amend five administrative rules.

**SECOND YEAR COSTS:**

The department will not incur any costs in fiscal year 2025.

**ONGOING COSTS:**

There are no ongoing costs.

**Part III: Expenditure Detail**

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.2		0.1		
A-Salaries and Wages	12,000		12,000		
B-Employee Benefits	3,900		3,900		
E-Goods and Other Services	2,000		2,000		
J-Capital Outlays	1,000		1,000		
<b>Total \$</b>	<b>\$18,900</b>		<b>\$18,900</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
EMS BAND 4	126,619	0.0		0.0		
MGMT ANALYST4	73,260	0.0		0.0		
TAX POLICY SP 2	75,120	0.0		0.0		
TAX POLICY SP 3	85,020	0.1		0.0		
TAX POLICY SP 4	91,524	0.0		0.0		
WMS BAND 3	107,685	0.0		0.0		
<b>Total FTEs</b>		<b>0.2</b>		<b>0.1</b>		

**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 rule-making process to amend the following rules:

WAC 458-19-005, titled: "Definitions"

WAC 458-19-020, titled: "Levy limit-Method of calculation"

WAC 458-19-030, titled: "Levy limit-Consolidation of districts"

WAC 458-19-035, titled: "Levy limit-Annexation"

WAC 458-19-550, titled: "State levy-Appportionment between counties"

Persons affected by this rulemaking would include county assessors, taxing districts, and property owners.

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

<b>Bill Number:</b> 5618 SB	<b>Title:</b> Local property tax limit
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**Part I: Jurisdiction**-Location, type or status of political subdivision defines range of fiscal impacts.

**Legislation Impacts:**

- Cities: Significant revenue increase
- Counties: same as above
- 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:
- Key variables cannot be estimated with certainty at this time:

**Estimated revenue impacts to:**

Jurisdiction	FY 2024	FY 2025	2023-25	2025-27	2027-29
City	17,869,871	53,192,650	71,062,521	219,739,850	386,465,749
County	21,966,717	65,387,594	87,354,311	270,117,395	475,066,863
Special District	20,163,412	60,019,756	80,183,168	247,942,755	436,067,388
<b>TOTAL \$</b>	60,000,000	178,600,000	238,600,000	737,800,000	1,297,600,000
<b>GRAND TOTAL \$</b>					2,274,000,000

**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: 02/06/2023
Leg. Committee Contact:	Phone:	Date: 01/30/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/06/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/07/2023



## Part IV: Analysis

### A. SUMMARY OF BILL

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

Section 1 describes legislative intent.

Section 2 amends RCW 84.55.005 [Limitations upon regular property taxes - Definitions] to alter:

- the definition of “inflation” to be dependent upon the annual percentage increase in the consumer price index for all urban consumers rather than the percentage change in the implicit price deflator.
  - the definition of “limit factor,” adjusting 101 percent to 103 percent, except for the state levy for support of common schools, which will remain the lesser of 101 percent or 100 percent plus inflation.
- And adds the definition of “population change.”

Section 3 amends RCW 84.55.0101 [Limit factor – authorizing for taxing district to use one hundred one percent or less – ordinance or resolution] to authorize a 103 (rather than the current 101 percent) percent limit factor upon approval of an ordinance or resolution.

Section 4 amends RCW 84.55.100 [Determination of limitations] to require the Dept. of Revenue to provide county assessors with limit factors by September 1st each year starting in 2023.

By October 1, 2023, and by October 1st every year thereafter, the county assessor must determine the limit factor applicable to each taxing district in their county and notify each taxing district of the determination. However, for a taxing district located in more than one county, the assessor of the county with the most assessed value of the taxing district must authorize a percent limit factor.

This act takes effect if chapter . . . (Senate Bill No. 5495 (creating a primary residence property tax exemption and renter's credit)), Laws of 2023, is enacted by August 1, 2023.

### 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 will likely increase the expenditures for county assessors to update their property tax systems. These are one-time costs and are indeterminate.

### 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.*

According to the Dept. of Revenue fiscal note, this bill results in a revenue increase of \$60,000,000 in fiscal year 2024, and by \$178,600,000 in fiscal year 2025.

#### REVENUE INCREASE

##### COUNTIES

FY 2024	\$21,966,717
FY 2025	\$65,387,594
FY 2026	\$111,078,365
FY 2027	\$159,039,030
FY 2028	\$210,221,480
FY 2029	\$264,845,383

##### CITIES

FY 2024	\$17,869,871
FY 2025	\$53,192,650

FY 2026	\$90,361,982
FY 2027	\$129,377,868
FY 2028	\$171,014,668
FY 2029	\$215,451,081

SPECIAL DISTRICTS

FY 2024	\$20,163,412
FY 2025	\$60,019,756
FY 2026	\$101,959,653
FY 2027	\$145,983,102
FY 2028	\$192,963,852
FY 2029	\$243,103,536

SOURCES

Dept. of Revenue fiscal note  
Dept. of Revenue Property Tax Statistics 2022