

Multiple Agency Fiscal Note Summary

Bill Number: 1761 HB	Title: Property tax exemption
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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		(450,000)		(1,790,000)		(1,910,000)
Local Gov. Total		(450,000)		(1,790,000)		(1,910,000)

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
Office of the Secretary of State	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Revenue	.4	117,900	117,900	117,900	.1	22,600	22,600	22,600	.1	22,600	22,600	22,600
Total \$	0.4	117,900	117,900	117,900	0.1	22,600	22,600	22,600	0.1	22,600	22,600	22,600

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of the Secretary of State	.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

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Final 2/13/2023
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Individual State Agency Fiscal Note

Bill Number: 1761 HB	Title: Property tax exemption	Agency: 085-Office of the Secretary of State
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

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: Tracey Taylor	Phone: 360-786-7152	Date: 02/07/2023
Agency Preparation: Mike Woods	Phone: (360) 704-5215	Date: 02/08/2023
Agency Approval: Mike Woods	Phone: (360) 704-5215	Date: 02/08/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 02/09/2023

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.

The bill would modify RCW 84.36.110 if the Constitutional Amendment proposed in HJR 4206 passes.

This bill does not require any action on the part of the Office of the Secretary of State. Therefore, no fiscal impact.

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.

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.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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

NONE

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

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

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

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.

Department of Revenue Fiscal Note

Bill Number: 1761 HB	Title: Property tax exemption	Agency: 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	0.4	0.5	0.4	0.1	0.1
Account					
GF-STATE-State 001-1	49,100	68,800	117,900	22,600	22,600
Total \$	49,100	68,800	117,900	22,600	22,600

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: Tracey Taylor	Phone: 60-786-7152	Date: 02/07/2023
Agency Preparation: Mark Studer	Phone: 60-534-1507	Date: 02/09/2023
Agency Approval: Marianne McIntosh	Phone: 60-534-1505	Date: 02/09/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/10/2023

Request # 1761-1-1

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:

Household goods, personal effects, and furnishings owned by individual persons are exempt from property tax. However, if used for commercial or business purposes, those assets become taxable.

The Constitution authorizes the Legislature to provide a property tax exemption for a “head of family” up to \$15,000 of assessed value for personal property (codified in RCW 84.36.110).

The \$15,000 head of family exemption applies to personal property owned by a qualifying head of a family (i.e., natural person) and does not apply to artificial entities, such as corporations, limited liability companies, or partnerships. Rather, the head of family exemption typically applies to sole proprietors and includes the following residents of the state of Washington:

- An individual receiving an old age pension under the laws of the state.
- A U.S. citizen over the age of 65 who continuously resided in Washington for at least 10 years.
- A husband, wife, or domestic partner, or a surviving spouse or domestic partner who has not remarried or entered into a subsequent domestic partnership.
- Generally, any person who cares and maintains certain close relatives (WAC 458-16-115).

A single person, below the age of 65, without a certain relative or dependent, or who is not a surviving spouse or domestic partner, is not eligible for the exemption. As well, the head of family exemption does not apply to private motor vehicles or mobile homes.

If a county assessor agrees that a person meets the exemption, no list of personal property is required from the owner. However, if the assessed value of personal property exceeds \$15,000 in value, a complete listing is required. The county assessor deducts the head of family exemption from the total assessed value, and impose taxes on the remainder, similar to other taxable personal property.

PROPOSAL:

This bill revises the personal property tax exemption by:

- Increasing the exemption amount from \$15,000 in assessed value of personal property to \$40,000.
- Removing the head of a family requirement to allow any person, such as a corporation, partnership, LLC, etc., to qualify for the exemption in addition to sole proprietors that qualify under current law.

EFFECTIVE DATE:

The bill takes effect January 1, 2024, provided submission and voter approval of House Joint Resolution No. 4206 (H-0980.1) that amends the Constitution in November 2023 general election.

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:

- A person receives only one exemption in the entire state. It will be very difficult to limit this to one exemption per person without the taxpayer attesting to the county assessor(s) they have only claimed one exemption.
- Personal property accounts were filtered to include one account per owner name. This roughly eliminates accounts under the same ownership or legal entity.
- Each state assessed company receives one exemption.

Request # 1761-1-1

- The exemption applies to the first \$40,000 of assessed value. The exemption cannot exceed the assessed value of the personal property account.
- Qualifying property owners receive the exemption in calendar year 2024, for property taxes due for calendar year 2025.

DATA SOURCES:

- Economic and Revenue Forecast Council, November 2022 forecast
- County assessor data
- Department of Revenue, State Property Tax Model

REVENUE ESTIMATES:

This legislation results in no revenue impact to the state property tax levy.

TOTAL REVENUE IMPACT:

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

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

FY 2024 - \$ 0
 FY 2025 - (\$ 450)
 FY 2026 - (\$ 880)
 FY 2027 - (\$ 910)
 FY 2028 - (\$ 940)
 FY 2029 - (\$ 970)

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 2024 - \$ 0
 CY 2025 - \$ 5,100
 CY 2026 - \$ 5,100
 CY 2027 - \$ 5,200
 CY 2028 - \$ 5,300
 CY 2029 - \$ 5,300

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

CY 2024 - \$ 0
 CY 2025 - (\$ 860)
 CY 2026 - (\$ 890)
 CY 2027 - (\$ 920)
 CY 2028 - (\$ 950)
 CY 2029 - (\$ 990)

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

CY 2024 -	\$ 0
CY 2025 -	\$ 14,900
CY 2026 -	\$ 15,500
CY 2027 -	\$ 16,200
CY 2028 -	\$ 16,800
CY 2029 -	\$ 17,500

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 of Revenue (department) will incur total costs of \$49,100 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 0.38 FTE.

- Set up, program, and test computer system changes for increased personal property tax exemption for state assessed utilities.
- Calculate assessed values for state assessed utility companies to reflect increased personal property tax exemption.
- Amend three administrative rules.

SECOND YEAR COSTS:

The department will incur total costs of \$68,800 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 0.5 FTE.

- Continue set up, program, and test computer system changes for increased personal property tax exemption for state assessed utilities.
- Continue to calculate assessed values for state assessed utility companies to reflect increased personal property tax exemption.

ONGOING COSTS:

Ongoing costs for the 2025-27 biennium equal \$22,600 and include similar activities described in the second-year costs. Time and effort equate to 0.1 FTE.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.4	0.5	0.4	0.1	0.1
A-Salaries and Wages	30,700	44,400	75,100	14,600	14,600
B-Employee Benefits	10,100	14,700	24,800	4,800	4,800
E-Goods and Other Services	5,500	6,700	12,200	2,000	2,000
G-Travel	300	300	600	600	600
J-Capital Outlays	2,500	2,700	5,200	600	600
Total \$	\$49,100	\$68,800	\$117,900	\$22,600	\$22,600

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		
EMS BAND 5	147,919	0.0		0.0		
IT SYS ADM-JOURNEY	92,844	0.1	0.4	0.3		
MGMT ANALYST4	73,260	0.0		0.0		
PROPERTY AND ACQUISITION SJ	73,260	0.1	0.1	0.1	0.1	0.1
TAX POLICY SP 2	75,120	0.0		0.0		
TAX POLICY SP 3	85,020	0.1		0.1		
TAX POLICY SP 4	91,524	0.0		0.0		
WMS BAND 3	107,685	0.0		0.0		
Total FTEs		0.4	0.5	0.5	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

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 rulemaking process to amend WAC 458-12-060, titled: "Listing of personal property" and WAC 458-14-005, titled: "Definitions."

The department will use the standard rulemaking process to amend WAC 458-16-115, titled: "Personal property exemptions for household goods, furnishings, and personal effects, and for the head of family."

Persons affected by this rulemaking would include county assessors, individuals, and entities that qualify for the personal property tax exemption.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1761 HB

Title: Property tax exemption

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

Legislation Impacts:

Cities: decrease in property tax revenue, tax shift

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		(134,024)	(134,024)	(533,117)	(568,858)
County		(164,750)	(164,750)	(655,341)	(699,274)
Special District		(151,226)	(151,226)	(601,542)	(641,868)
TOTAL \$		(450,000)	(450,000)	(1,790,000)	(1,910,000)
GRAND TOTAL \$					(4,150,000)

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 02/13/2023
Leg. Committee Contact: Tracey Taylor	Phone: 360-786-7152	Date: 02/07/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/13/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/13/2023

Part IV: Analysis

A. SUMMARY OF BILL

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

This bill would increase the personal property exemption from \$15,000 to \$40,000 and remove the head of family restriction.

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 not impact local government expenditures because no action is required.

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 increase the exemption amount from \$15,000 in assessed value of personal property to \$40,000. This would decrease local government property tax revenue.

According to the Department of Revenue (DOR) this bill would decrease local government revenue by \$450,000 in fiscal year 2025 and by \$880,000 in fiscal year 2026. It would also cause a shift of tax burden. Please see the DOR fiscal note for their assumptions and data sources.

REVENUE CHANGE BREAKDOWN

COUNTIES

FY 2024	\$0
FY 2025	-\$164,750
FY 2026	-\$322,179
FY 2027	-\$333,162
FY 2028	-\$344,145
FY 2029	-\$355,129

CITIES

FY 2024	\$0
FY 2025	-\$134,024
FY 2026	-\$262,091
FY 2027	-\$271,026
FY 2028	-\$279,962
FY 2029	-\$288,896

SPECIAL DISTRICTS

FY 2024	\$0
FY 2025	-\$151,226
FY 2026	-\$295,730
FY 2027	-\$305,812
FY 2028	-\$315,893
FY 2029	-\$325,975

TAX SHIFT

COUNTIES

CY 2024	\$0
CY 2025	\$2,969,085
CY 2026	\$3,088,646
CY 2027	\$3,228,133
CY 2028	\$3,347,694
CY 2029	\$3,487,181

CITIES

CY 2024	\$0
CY 2025	\$2,397,740
CY 2026	\$2,494,293
CY 2027	\$2,606,939
CY 2028	\$2,703,492
CY 2029	\$2,816,138

SPECIAL DISTRICTS

CY 2024	\$0
CY 2025	\$9,533,174
CY 2026	\$9,917,061
CY 2027	\$10,364,928
CY 2028	\$10,748,814
CY 2029	\$11,196,681

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 2022.

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 Property Tax Statistics 2022
Department of Revenue fiscal note, HB 1761 (2023)
House Bill Analysis, HB 1761, Finance Committee (2023)
Local Government Fiscal Note "Tax Shift and Revenue Loss Model" (2023)