

Multiple Agency Fiscal Note Summary

Bill Number: 5250 SB	Title: Property tax exemptions
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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		(3,400,000)		(5,200,000)		(5,700,000)
Local Gov. Total		(3,400,000)		(5,200,000)		(5,700,000)

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	.2	37,300	37,300	37,300	.2	28,200	28,200	28,200	.2	28,200	28,200	28,200
Total \$	0.2	37,300	37,300	37,300	0.2	28,200	28,200	28,200	0.2	28,200	28,200	28,200

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
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 2/15/2023
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Department of Revenue Fiscal Note

Bill Number: 5250 SB	Title: Property tax exemptions	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	0.3	0.2	0.2	0.2	0.2
Account					
GF-STATE-State 001-1	23,200	14,100	37,300	28,200	28,200
Total \$	23,200	14,100	37,300	28,200	28,200

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: Jeffrey Mitchell	Phone: 60-786-7438	Date: 01/12/2023
Agency Preparation: Frank Wilson	Phone: 60-534-1527	Date: 02/15/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 02/15/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/15/2023

Request # 5250-1-1

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:

The law provides an exemption to property tax (exemption program) on the primary residence of qualifying persons, such as senior citizens (aged 61 or older) and veterans and individuals with disabilities. The level of exemption varies based on the participant's income threshold.

The income thresholds necessary to qualify in the exemption program as follows:

- Income threshold 1 is the greater of \$30,000, or 45% of the median household income for the county.
- Income threshold 2 is the greater of \$35,000, or 55% of the median household income for the county.
- Income threshold 3 is the greater of \$40,000, or 65% of the median household income for the county.

Each threshold is adjusted every five years, with the next adjustment taking place on March 1, 2024, for taxes levied for collection in 2025.

Currently the income threshold necessary to qualify in the senior citizens and veterans and individuals with disabilities property tax deferral program (deferral program) is as follows:

- \$45,000 or 75% of the median household income for the county, whichever is greater.

The law requires the Department of Revenue (department) to update the income thresholds beginning August 1, 2019, and by March 1st every five years thereafter.

Beginning with the March 1, 2024, adjustment and every second adjustment thereafter, if the income threshold in a county is not adjusted based on percentage of county median income, then the income threshold must adjust based on the growth of the consumer price index for all urban consumers (CPI-U) for the prior 12-month period as published by the United States Bureau of Labor Statistics. In no case may the adjustment be greater than 1%.

The exemption requires the "principal place of residence" claimed must be occupied for more than six months each calendar year by the applicant.

PROPOSAL:

The bill allows costs related to health care coverage through the Federal Employees Health Benefits (FEHB) program under Title 10 U.S.C. Sec 1108ss as a deduction from the calculation of disposable income to qualify for senior and disabled exemption programs.

Beginning with taxes collected in 2024, and thereafter, the income thresholds necessary to qualify in the exemption program are amended as follows:

- Income threshold 1 is the greater of \$30,000, or 50% of the median household income for the county.
- Income threshold 2 is the greater of \$35,000, or 60% of the median household income for the county.
- Income threshold 3 is the greater of \$40,000, or 70% of the median household income for the county.

Income thresholds cannot be less than any previous year's set threshold.

The tax preference provisions do not apply to this act.

EFFECTIVE DATE:

Request # 5250-1-1

This bill 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:

- This legislation impacts property taxes due in calendar year 2024, and thereafter. This legislation is not retroactive for prior years.
- The county median income mirrors the forecast of income growth by the Economic and Revenue Forecast Council.
- Each year the department analyzes local regular levies and how close each district is to their statutory tax rate maximum. Based on that analysis a new property tax exemption would result in 90% of local property taxes impacted by the exemption being shifted to non-exempt property owners. Local taxing districts would experience a loss equal to 10% of local property taxes impacted by the exemption.
- Based on five years of state property tax collections, 52.36% of state property tax collections occur in April and 47.64% occur in October. When converting from calendar year to fiscal year, this estimate assumes revenues shifts and losses follow this trend.
- Approximately 24,000 additional households will receive the senior, veteran, and disabled property tax exemption beginning in tax year 2024.

DATA SOURCES:

- Census Bureau, American Community Survey 2016-2020
- Department of Revenue, State Property Tax Model
- Economic and Revenue Forecast Council, 2022 forecast of income growth
- Office of Financial Management (OFM) - Median Household Income Estimates by County: 1989 to 2019; Preliminary estimates for 2020 and Projections for 2021
- Office of Personnel Management (OPM) - Healthcare Plan Information: 2023 Plan Information for Washington
- US Department of Veteran Affairs

REVENUE ESTIMATES:

The Economic and Revenue Forecast Council predicts the state property tax levy remains below the \$3.60 limit throughout the 2027-29 biennium. A new exemption results in a shift and no loss to the state levy.

PROPERTY TAX SHIFTS:

This legislation results in a state levy shift to other taxpayers of an estimated \$8.8 million for fiscal year 2024 and \$17.9 million in fiscal year 2025, the first full fiscal year.

TOTAL REVENUE IMPACT:

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

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

FY 2024 - (\$ 1,100)
FY 2025 - (\$ 2,300)
FY 2026 - (\$ 2,500)
FY 2027 - (\$ 2,700)
FY 2028 - (\$ 2,800)
FY 2029 - (\$ 2,900)

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

Request # 5250-1-1

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

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

CY 2024 - \$ 16,800
CY 2025 - \$ 18,900
CY 2026 - \$ 18,300
CY 2027 - \$ 18,700
CY 2028 - \$ 17,900
CY 2029 - \$ 18,100

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

CY 2024 - (\$ 2,200)
CY 2025 - (\$ 2,500)
CY 2026 - (\$ 2,500)
CY 2027 - (\$ 2,800)
CY 2028 - (\$ 2,800)
CY 2029 - (\$ 2,900)

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

CY 2024 - \$ 51,300
CY 2025 - \$ 60,000
CY 2026 - \$ 59,300
CY 2027 - \$ 61,600
CY 2028 - \$ 60,700
CY 2029 - \$ 62,900

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 senior citizens, people with disabilities, homeowners with limited income, and widow/widowers of veterans who may qualify for property tax relief programs.

FIRST YEAR COSTS:

The department will incur total costs of \$23,200 in fiscal year 2024. These costs include:

- Labor Costs – Time and effort equate to 0.28 FTE.
- Application processing.
 - Implementation of changes to property tax programs.
 - Amend two administrative rules.

SECOND YEAR COST:

The department will incur total costs of \$14,100 in fiscal year 2025. These costs include:

- Labor Costs – Time and effort equate to 0.2 FTE.
- Application processing.

ONGOING COSTS:

Request # 5250-1-1

Ongoing costs for the 2025-27 biennium equal \$28,200 and include similar activities described in the second-year costs. Time and effort equate to 0.2 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	0.3	0.2	0.2	0.2	0.2
A-Salaries and Wages	12,800	8,000	20,800	16,000	16,000
B-Employee Benefits	4,200	2,600	6,800	5,200	5,200
E-Goods and Other Services	3,800	2,300	6,100	4,600	4,600
G-Travel	600	600	1,200	1,200	1,200
J-Capital Outlays	1,800	600	2,400	1,200	1,200
Total \$	\$23,200	\$14,100	\$37,300	\$28,200	\$28,200

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	0.0		0.0		
TAX POLICY SP 4	91,524	0.0		0.0		
TAX SERV REP 1	39,852	0.2	0.2	0.2	0.2	0.2
WMS BAND 3	107,685	0.0		0.0		
Total FTEs		0.3	0.2	0.3	0.2	0.2

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" and WAC 458-16A-120, titled: "Senior citizen, disabled person, and disabled veteran exemption-Determining combined disposable income." Persons affected by this rulemaking would include individuals who qualify for property tax relief programs.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5250 SB	Title: Property tax exemptions
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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	(327,614)	(685,012)	(1,012,626)	(1,548,722)	(1,697,637)
County	(402,723)	(842,057)	(1,244,780)	(1,903,782)	(2,086,839)
Special District	(369,663)	(772,931)	(1,142,594)	(1,747,496)	(1,915,524)
TOTAL \$	(1,100,000)	(2,300,000)	(3,400,000)	(5,200,000)	(5,700,000)
GRAND TOTAL \$					(14,300,000)

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 02/15/2023
Leg. Committee Contact: Jeffrey Mitchell	Phone: 360-786-7438	Date: 01/12/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/15/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/15/2023

Part IV: Analysis

A. SUMMARY OF BILL

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

This bill would modify the senior and disabled veterans property tax exemption by adding the costs related to health care coverage through the federal employees health benefits program to the list of deductions when calculating "combined disposable income."

Beginning with taxes collected in 2024, and thereafter, the income thresholds necessary to qualify in the exemption program are amended as follows:

- Income threshold 1 is the greater of \$30,000, or 50% of the median household income for the county.
- Income threshold 2 is the greater of \$35,000, or 60% of the median household income for the county.
- Income threshold 3 is the greater of \$40,000, or 70% of the median household income for the county.

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.

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 allow costs related to health care coverage through the federal employees health benefits program under Title 10 U.S.C. Sec. 110ss to be deducted when calculating combined disposable income to determine eligibility for the property tax exemption.

According to the Department of Revenue (DOR) this legislation results in a loss of local revenue of \$1.1 million in fiscal year 2024 and by \$2.3 million in fiscal year 2025. It also results in a state levy shift to other taxpayers of an estimated \$8.8 million for fiscal year 2024 and \$17.9 million in fiscal year 2025, the first full fiscal year. Please see the DOR fiscal note for all their assumptions and data sources.

REVENUE CHANGE

COUNTIES

FY 2024	-\$402,723
FY 2025	-\$842,057
FY 2026	-\$915,280
FY 2027	-\$988,502
FY 2028	-\$1,025,114
FY 2029	-\$1,061,725

CITIES

FY 2024	-\$327,614
FY 2025	-\$685,012
FY 2026	-\$744,578
FY 2027	-\$804,144
FY 2028	-\$833,927
FY 2029	-\$863,710

SPECIAL DISTRICTS

FY 2024	-\$369,663
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FY 2025	-\$772,931
FY 2026	-\$840,142
FY 2027	-\$907,354
FY 2028	-\$940,959
FY 2029	-\$974,565

TAX SHIFT

COUNTIES

CY 2024	\$10,222,422
CY 2025	\$11,956,049
CY 2026	\$11,816,561
CY 2027	\$12,274,877
CY 2028	\$12,095,536
CY 2029	\$12,533,924

CITIES

CY 2024	\$8,255,307
CY 2025	\$9,655,330
CY 2026	\$9,542,684
CY 2027	\$9,912,805
CY 2028	\$9,767,975
CY 2029	\$10,122,004

SPECIAL DISTRICTS

CY 2024	\$32,822,272
CY 2025	\$38,388,622
CY 2026	\$37,940,755
CY 2027	\$39,412,318
CY 2028	\$38,836,489
CY 2029	\$40,244,072

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, SB 5250 (2023)

Local Government Fiscal Note “Tax Shift and Revenue Loss Model” (2023)