

Multiple Agency Fiscal Note Summary

Bill Number: 5770 SB	Title: Property tax
-----------------------------	----------------------------

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	191,000,000	191,000,000	191,000,000	598,000,000	598,000,000	598,000,000	1,062,000,000	1,062,000,000	1,062,000,000
Total \$	191,000,000	191,000,000	191,000,000	598,000,000	598,000,000	598,000,000	1,062,000,000	1,062,000,000	1,062,000,000

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		(62,172,000)		(89,793,000)		(94,644,000)
Local Gov. Total		(62,172,000)		(89,793,000)		(94,644,000)

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	34,400	34,400	34,400	.0	0	0	0	.0	0	0	0
Total \$	0.1	34,400	34,400	34,400	0.0	0	0	0	0.0	0	0	0

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 4/17/2023
---------------------------------------	---------------------------------	---

Department of Revenue Fiscal Note

Bill Number: 5770 SB	Title: Property tax	Agency: 140-Department of Revenue
-----------------------------	----------------------------	--

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	48,000,000	143,000,000	191,000,000	598,000,000	1,062,000,000
Total \$	48,000,000	143,000,000	191,000,000	598,000,000	1,062,000,000

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.3		0.1		
Account					
GF-STATE-State 001-1	34,400		34,400		
Total \$	34,400		34,400		

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: 04/11/2023
Agency Preparation: Mark Studer	Phone: 60-534-1507	Date: 04/14/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 04/14/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 04/15/2023

Request # 5770-1-1

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:

Washington has a budget-based property tax system. Under this system, taxing districts first establish the amount of property taxes needed to fund their budgets (the levy amount). The county assessor then calculates the levy rate needed to raise the amount of taxes levied to be collected from the taxpayers of the taxing district. Regular property taxes, which are generally non-voted taxes, are subject to several limitations summarized below. In a budget-based property tax system, tax exemptions generally shift the tax burden to non-exempt properties rather than reduce the taxes collected by the taxing districts.

LEVY GROWTH LIMIT

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 certain type of local tax increment finance area designated by a local government.

For taxing districts with a population of less than 10,000, the limit factor is 101%. For all other districts, the limit factor is defined as the lesser of either 101%, or 100% plus inflation. 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" is statutorily defined 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.

STATUTORY RATE LIMIT

State law limits the regular levy for each type of taxing district to a certain rate. For example, the statutory aggregate maximum levy rate for Part 1 and Part 2 of the state property tax school levy for the support of common schools is \$3.60 per \$1,000 of market value.

\$5.90 AGGREGATE LIMIT

The aggregate regular levies of most local taxing districts cannot exceed \$5.90 per \$1,000 of assessed value.

CONSTITUTIONAL 1% LIMIT

The Washington Constitution limits the aggregate amount of regular property taxes imposed on an individual parcel of property to 1% of its market value, which equates to \$10 per \$1,000 of market value.

PRORATIONING

If either the \$5.90 aggregate limit or the constitutional 1% limit are exceeded, then certain taxing districts' levies must be reduced or eliminated through a process outlined in statute and often referred to as prorationing.

SENIOR EXEMPTION

Qualifying senior citizens, persons retired due to disability, and disabled veterans meeting certain criteria may qualify for a property tax exemption (senior exemption program) on their principal residence. All participants in the senior exemption

program receive a full exemption from Part 2 of the state school levy. Depending on a participant's income, the senior exemption program also includes a partial reduction for Part 1 of the state school levy.

PROPOSAL:

This proposal increases the regular property tax levy growth limit for both state and 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 in 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 the state and all local taxing districts' regular property tax levies to mean 100% plus population change and inflation, but not to exceed 103%.

The proposal defines "population change" as 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.

The proposal also requires the Department of Revenue to provide county assessors the limit factors by September 1 of the year prior to the levy year, and 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.

This proposal repeals the substantial need provision (RCW 84.55.0101).

This proposal reduces Part 1 of the state property tax levy by 25% for all participants in the senior exemption program.

EFFECTIVE DATE:

This proposal takes effect beginning with property taxes due for collection in 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.

- Current law exempts seniors in the senior exemption program from Part 2 of the state levy; therefore, the difference between the statewide value subject to Part 1 and the statewide value subject to Part 2 represents the senior exemption program. This estimate uses 25% of this difference to estimate exempting seniors from 25% of Part 1 of the state levy.
- Property taxes shift to other property owners as a result of the changes to the senior exemption program.
- Taxing districts taking less than the current 101% levy growth 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.
- The Governor signs SHB 1355 into law, which impacts the senior exemption program portion of this estimate.

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

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 \$3.7 million for fiscal year 2024 and \$6.5 million in fiscal year 2025, the first full fiscal year.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 -	\$ 48,000
FY 2025 -	\$ 143,000
FY 2026 -	\$ 245,000
FY 2027 -	\$ 353,000
FY 2028 -	\$ 469,000
FY 2029 -	\$ 593,000

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

FY 2024 -	\$ 60,000
FY 2025 -	\$ 179,000
FY 2026 -	\$ 303,000
FY 2027 -	\$ 433,000
FY 2028 -	\$ 571,000
FY 2029 -	\$ 719,000

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

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

CY 2024 -	\$ 92,000
CY 2025 -	\$ 190,000
CY 2026 -	\$ 295,000
CY 2027 -	\$ 407,000
CY 2028 -	\$ 526,000
CY 2029 -	\$ 654,000

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

CY 2024 -	\$ 7,100
-----------	----------

CY 2025 - \$ 5,900
 CY 2026 - \$ 5,900
 CY 2027 - \$ 6,000
 CY 2028 - \$ 6,100
 CY 2029 - \$ 6,200

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

CY 2024 - \$ 115,000
 CY 2025 - \$ 237,000
 CY 2026 - \$ 363,000
 CY 2027 - \$ 496,000
 CY 2028 - \$ 640,000
 CY 2029 - \$ 792,000

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.

FIRST YEAR COSTS:

The department will incur total costs of \$34,400 in fiscal year 2024. These costs include:

- Labor Costs – Time and effort equate to 0.26 FTE.
- Amend nine administrative rules.

SECOND YEAR COSTS:

The department will not incur 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	0.3		0.1		
A-Salaries and Wages	21,500		21,500		
B-Employee Benefits	7,100		7,100		
E-Goods and Other Services	4,000		4,000		
J-Capital Outlays	1,800		1,800		
Total \$	\$34,400		\$34,400		

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		0.1		
TAX POLICY SP 4	91,524	0.0		0.0		
WMS BAND 3	107,685	0.0		0.0		
Total FTEs		0.3		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 process to amend the following rules:

WAC 458-16A-100, titled: "Senior citizen, disabled person, and disabled veteran exemption - Definitions."

WAC 458-16A-130, titled: "Senior citizen, disabled person, and disabled veteran exemption - Qualifications for exemption."

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 458-19-005, 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 - Apportionment between counties."

Persons affected by this rulemaking include county assessors, taxing districts, and taxpayers.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5770 SB

Title: Property tax

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

Legislation Impacts:

Cities: decrease in sales tax revenue

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	(5,454,778)	(13,061,982)	(18,516,760)	(26,743,156)	(28,187,935)
County	(6,705,340)	(16,056,572)	(22,761,912)	(32,874,290)	(34,650,299)
Special District	(6,154,882)	(14,738,446)	(20,893,328)	(30,175,554)	(31,805,766)
TOTAL \$	(18,315,000)	(43,857,000)	(62,172,000)	(89,793,000)	(94,644,000)
GRAND TOTAL \$					(246,609,000)

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 04/17/2023
Leg. Committee Contact: Jeffrey Mitchell	Phone: 360-786-7438	Date: 04/11/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 04/17/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 04/17/2023

Part IV: Analysis

A. SUMMARY OF BILL

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

This bill creates a new sales and use tax exemption for machinery and equipment (M&E) used in a communication network as defined in the bill.

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 create a tax exemption that would lower local government sales and use tax revenue.

According to the Department of Revenue (DOR) this bill decreases local revenues by an estimated \$18.5 million in the five months of impacted collections in fiscal year 2024, and by \$44.3 million in fiscal year 2025, the first full year of impacted collections. Please see the DOR fiscal note for their assumptions and data sources.

LOCAL GOVERNMENT TAX LOSS BREAKDOWN

Counties:

FY 2024	-\$6,705,340
FY 2025	-\$16,056,572
FY 2026	-\$16,274,042
FY 2027	-\$16,600,248
FY 2028	-\$17,071,434
FY 2029	-\$17,578,865

Cities:

FY 2024	-\$5,454,778
FY 2025	-\$13,061,982
FY 2026	-\$13,238,895
FY 2027	-\$13,504,262
FY 2028	-\$13,887,570
FY 2029	-\$14,300,364

Special Districts:

FY 2024	-\$6,154,882
FY 2025	-\$14,738,446
FY 2026	-\$14,938,064
FY 2027	-\$15,237,490
FY 2028	-\$15,669,996
FY 2029	-\$16,135,770

METHODOLOGY:

The distributions in this note for cities, counties, and special districts are based on DOR data for local sales and use tax distributions from Calendar Year 2021. Mitigation payments and distributions to hospital benefit zones are not factored into this distribution. The result is a distribution of 36.61 percent to counties, 29.78 percent to cities, and 33.61 percent to

special districts. The one percent DOR administrative fee has also been deducted.

SOURCES:

Department of Revenue fiscal note, SB 5770

Department of Revenue Local Tax Distributions (2021)

Local Government Fiscal Note program, Local Sales Tax model 2023

Local Government Fiscal Note program, Sales and Use Tax Distribution model 2023



Multiple Agency Ten-Year Analysis Summary

Bill Number 5770 SB	Title Property tax
-------------------------------	------------------------------

This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

Estimated Cash Receipts

	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	2024-33 TOTAL
Department of Revenue	48,000,000	143,000,000	245,000,000	353,000,000	469,000,000	593,000,000	725,000,000	866,000,000	1,016,000,000	1,176,000,000	5,634,000,000



Ten-Year Analysis

Bill Number 5770 SB	Title Property tax	Agency 140 Department of Revenue
-------------------------------	------------------------------	--

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

No Cash Receipts

 Partially Indeterminate Cash Receipts

 Indeterminate Cash Receipts

Estimated Cash Receipts

Name of Tax or Fee	Acct Code	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	2024-33 TOTAL
Property Tax	001	48,000,000	143,000,000	245,000,000	353,000,000	469,000,000	593,000,000	725,000,000	866,000,000	1,016,000,000	1,176,000,000	5,634,000,000
Total		48,000,000	143,000,000	245,000,000	353,000,000	469,000,000	593,000,000	725,000,000	866,000,000	1,016,000,000	1,176,000,000	5,634,000,000
Biennial Totals		191,000,000	598,000,000		1,062,000,000		1,591,000,000		2,192,000,000		5,634,000,000	

Narrative Explanation (Required for Indeterminate Cash Receipts)

CURRENT LAW:
 Washington has a budget-based property tax system. Under this system, taxing districts first establish the amount of property taxes needed to fund their budgets (the levy amount). The county assessor then calculates the levy rate needed to raise the amount of taxes levied to be collected from the taxpayers of the taxing district. Regular property taxes, which are generally non-voted taxes, are subject to several limitations summarized below. In a budget-based property tax system, tax exemptions generally shift the tax burden to non-exempt properties rather than reduce the taxes collected by the taxing districts.

LEVY GROWTH LIMIT
 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 certain type of local tax increment finance area designated by a local government.

For taxing districts with a population of less than 10,000, the limit factor is 101%. For all other districts, the limit factor is defined as the lesser of either 101%, or 100% plu



Ten-Year Analysis

Bill Number	Title	Agency
5770 SB	Property tax	140 Department of Revenue

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

inflation. 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" is statutorily defined 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.

STATUTORY RATE LIMIT

State law limits the regular levy for each type of taxing district to a certain rate. For example, the statutory aggregate maximum levy rate for Part 1 and Part 2 of the state property tax school levy for the support of common schools is \$3.60 per \$1,000 of market value.

\$5.90 AGGREGATE LIMIT

The aggregate regular levies of most local taxing districts cannot exceed \$5.90 per \$1,000 of assessed value.

CONSTITUTIONAL 1% LIMIT

The Washington Constitution limits the aggregate amount of regular property taxes imposed on an individual parcel of property to 1% of its market value, which equates to \$10 per \$1,000 of market value.

PRORATIONING

If either the \$5.90 aggregate limit or the constitutional 1% limit are exceeded, then certain taxing districts' levies must be reduced or eliminated through a process outlined in statute and often referred to as prorationing.

SENIOR EXEMPTION

Qualifying senior citizens, persons retired due to disability, and disabled veterans meeting certain criteria may qualify for a property tax exemption (senior exemption program) on their principal residence. All participants in the senior exemption program receive a full exemption from Part 2 of the state school levy. Depending on a participant's income, the senior exemption program also includes a partial reduction for Part 1 of the state school levy.

PROPOSAL:

This proposal increases the regular property tax levy growth limit for both state and 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 in 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.



Ten-Year Analysis

Bill Number	Title	Agency
5770 SB	Property tax	140 Department of Revenue

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

This proposal revises the definition of “limit factor” for the state and all local taxing districts’ regular property tax levies to mean 100% plus population change and inflation but not to exceed 103%.

The proposal defines “population change” as 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.

The proposal also requires the Department of Revenue to provide county assessors the limit factors by September 1 of the year prior to the levy year, and 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.

This proposal repeals the substantial need provision (RCW 84.55.0101).

This proposal reduces Part 1 of the state property tax levy by 25% for all participants in the senior exemption program.

EFFECTIVE DATE:

This proposal takes effect beginning with property taxes due for collection in calendar year 2024.

- Current law exempts seniors in the senior exemption program from Part 2 of the state levy; therefore, the difference between the statewide value subject to Part 1 and the statewide value subject to Part 2 represents the senior exemption program. This estimate uses 25% of this difference to estimate exempting seniors from 25% of Part 1 of the state levy.
- Property taxes shift to other property owners as a result of the changes to the senior exemption program.
- Taxing districts taking less than the current 101% levy growth 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.
- The Governor signs SHB 1355 into law, which impacts the senior exemption program portion of this estimate.



Ten-Year Analysis

Bill Number 5770 SB	Title Property tax	Agency 140 Department of Revenue
-------------------------------	------------------------------	--

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

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

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 result 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 \$3.7 million for fiscal year 2024 and \$6.5 million in fiscal year 2025, the first full fiscal year.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 - \$ 48,000
 FY 2025 - \$ 143,000
 FY 2026 - \$ 245,000
 FY 2027 - \$ 353,000
 FY 2028 - \$ 469,000
 FY 2029 - \$ 593,000

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

FY 2024 - \$ 60,000
 FY 2025 - \$ 179,000
 FY 2026 - \$ 303,000



Ten-Year Analysis

Bill Number	Title	Agency
5770 SB	Property tax	140 Department of Revenue

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

FY 2027 - \$ 433,000
 FY 2028 - \$ 571,000
 FY 2029 - \$ 719,000

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

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

CY 2024 - \$ 92,000
 CY 2025 - \$ 190,000
 CY 2026 - \$ 295,000
 CY 2027 - \$ 407,000
 CY 2028 - \$ 526,000
 CY 2029 - \$ 654,000

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

CY 2024 - \$ 7,100
 CY 2025 - \$ 5,900
 CY 2026 - \$ 5,900
 CY 2027 - \$ 6,000
 CY 2028 - \$ 6,100
 CY 2029 - \$ 6,200

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

CY 2024 - \$ 115,000
 CY 2025 - \$ 237,000
 CY 2026 - \$ 363,000
 CY 2027 - \$ 496,000
 CY 2028 - \$ 640,000
 CY 2029 - \$ 792,000

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



Ten-Year Analysis

Bill Number 5770 SB	Title Property tax	Agency 140 Department of Revenue
-------------------------------	------------------------------	--

Agency Preparation: Mark Studer	Phone: 360-534-1507	Date: 4/14/2023 5:50:42 pm
Agency Approval: Valerie Torres	Phone: 360-534-1521	Date: 4/14/2023 5:50:42 pm
OFM Review:	Phone:	Date: