Multiple Agency Fiscal Note Summary

Bill Number: 6030 SB	**Title:** ADU tax exemptions

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	Fiscal note not available					
Local Gov. Total						

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	.0	3,800	3,800	3,800	.0	0	0	0	.0	0	0	0
Total $	0.0	3,800	3,800	3,800	0.0	0	0	0	0.0	0	0	0

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	Fiscal note not available								
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
Total $	0.0	0	0	0.0	0	0	0.0	0	0

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	Fiscal note not available								
Local Gov. Total									

Estimated Capital Budget Breakout

This preliminary package is incomplete. Additional information will follow shortly.

Prepared by: Amy Hatfield, OFM	**Phone:** (360) 280-7584	**Date Published:** Preliminary 1/11/2024

Department of Revenue Fiscal Note

Bill Number: 6030 SB	Title: ADU tax exemptions	Agency: 140-Department of Revenue

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		0.1	0.0		
Account					
GF-STATE-State 001-1		3,800	3,800		
Total $		3,800	3,800		

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:	Melissa Van Gorkom	Phone: 360-786-7491	Date: 01/08/2024
Agency Preparation:	Frank Wilson	Phone: 360-534-1527	Date: 01/11/2024
Agency Approval:	Valerie Torres	Phone: 360-534-1521	Date: 01/11/2024
OFM Review:	Amy Hatfield	Phone: (360) 280-7584	Date: 01/11/2024

Request # 6030-1-1

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:
Physical improvements to single-family dwellings upon real property, including constructing an accessory dwelling unit (ADU) on the same real property, are exempt from taxation for three assessment years after the completion of the improvement when:
- The improvements represent 30% or less of the value of the original structure.
- The taxpayer files notice with the county assessor of their intent to construct improvements before completing construction.
- A county with a population of 1,500,000 or more may exempt an ADU rented to a low-income household (that is not immediate family) if the ADU represents 30% or less of the value of the original structure.

A low-income household is a single person, family, or unrelated persons living together whose adjusted income is at or below 60% of the median household income adjusted for household size for the county where the household is located, as reported by the United States Department of Housing and Urban Development.

Immediate family includes any person under the age of 60 who is a state-registered domestic partner, spouse, parent, grandparent, child (including foster children), sibling, or in-law.

The exemption may remain if renting an ADU to a low-income household continues. The rent charged to the tenant cannot exceed 30% of the tenant's monthly income.

PROPOSAL:
This bill expands the ability for all counties to authorize an existing property tax exemption for ADUs used for low-income rental housing of non-family members under age 60 and expires January 1, 2034.

EFFECTIVE DATE:
The bill takes effect 90 days after the final adjournment of the session and applies beginning with property taxes due for calendar year 2025.

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 number of applicants who plan to rent an ADU to low-income households due to the expansion of the current exemption to all counties is unknown.
- Very few ADUs receive this exemption and qualifying low-income households rent even fewer ADUs. The total exempted value would be small.

DATA SOURCES
- 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.

The impact of this legislation on local taxing districts is indeterminate but assumed minimal.

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 not incur costs in fiscal year 2024.

SECOND YEAR COSTS:
The department will incur total costs of $3,800 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 0.07 FTE.
- Amend one administrative rule.
- Prepare applications and update training materials.

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		0.1	0.0		
A-Salaries and Wages		2,500	2,500		
B-Employee Benefits		800	800		
E-Goods and Other Services		300	300		
J-Capital Outlays		200	200		
Total $		$3,800	$3,800		

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	131,684		0.0	0.0		
MGMT ANALYST4	76,188		0.0	0.0		
TAX POLICY SP 2	78,120		0.0	0.0		
TAX POLICY SP 3	88,416		0.0	0.0		
TAX POLICY SP 4	95,184		0.0	0.0		
WMS BAND 3	111,992		0.0	0.0		
Total FTEs			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 process to amend WAC 458-16-080, titled: "Improvements to single family dwellings-Definitions-Exemption-Limitations-Appeal rights." Persons affected by this rulemaking would include property owners who construct accessory dwelling units for low-income rental housing of non-family members under the age of 60.