

Multiple Agency Fiscal Note Summary

Bill Number: 5845 SB	Title: Military housing taxation
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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	367,000	367,000	367,000	1,418,000	1,418,000	1,418,000	1,447,000	1,447,000	1,447,000
Total \$	367,000	367,000	367,000	1,418,000	1,418,000	1,418,000	1,447,000	1,447,000	1,447,000

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		1,100,000		4,500,000		5,100,000
Local Gov. Total		1,100,000		4,500,000		5,100,000

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	.0	7,600	7,600	7,600	.0	0	0	0	.0	0	0	0
Total \$	0.0	7,600	7,600	7,600	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

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Prepared by: Amy Hatfield, OFM	Phone: (360) 280-7584	Date Published: Final 1/15/2024
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Department of Revenue Fiscal Note

Bill Number: 5845 SB	Title: Military housing taxation	Agency: 140-Department of Revenue
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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		367,000	367,000	1,418,000	1,447,000
Total \$		367,000	367,000	1,418,000	1,447,000

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		0.1	0.0		
GF-STATE-State 001-1		7,600	7,600		
Total \$		7,600	7,600		

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: Jeffrey Mitchell	Phone: 60-786-7438	Date: 01/09/2024
Agency Preparation: Erika Ferrara	Phone: 60-534-1517	Date: 01/15/2024
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/15/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/15/2024

Request # 5845-1-2

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:

Qualifying privately owned military housing is exempt from property tax and leasehold excise tax (LET).

Privately owned military housing may be exempt from property tax if all housing is:

- Located on land owned by the United States.
- Used for military personnel and their families.
- A project awarded development under the Military Housing Privatization Initiative.

Current law also provides a limit factor of up to 1% (often referred to as the “101% levy limit”) for year-over-year growth in a taxing district’s regular property tax levy. All taxing districts, both state and local, may also increase the levy by an additional amount based on the increase in assessed value due to the following add-ons:

- new construction
- construction of wind turbine, solar, biomass, and geothermal facilities
- improvements to property
- increases value of state-assessed property
- increases in real property value within a designated local tax increment finance area.

All leasehold interests in real property used for military housing meeting the military housing property tax exemption requirements are also exempt from LET.

PROPOSAL:

This bill eliminates the military housing property tax exemption beginning with property taxes due for calendar year 2025.

This bill also allows an add-on to the 101% levy limit for property taxes due for calendar year 2025 based on the taxable value added to the assessment roll from eliminating the military housing exemption.

Beginning January 1, 2025, this bill also eliminates the corresponding military housing LET exemption.

EFFECTIVE DATE:

The bill takes effect 90 days after the final adjournment of the session.

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 repeal will only affect military housing in Island and Spokane counties.
- This proposal applies to both state and local property taxes.
- Assessors will add a total estimated value of \$350 million to the assessment roll for property taxes due for collection in calendar year 2025.
- Based on five years of state property tax collections, 52.52% of state property tax collections occur in April and 47.48% occur in October. When converting from calendar year to fiscal year, this estimate assumes revenues shifts and gains follow this trend.
- The revenue impacts shown above and below are for the repeal of the property tax exemption only.
- The elimination of the property tax exemption begins with property taxes due for collection in calendar year 2025.

Request # 5845-1-2

- The elimination of the LET exemption begins January 1, 2025.

DATA SOURCES:

- County Assessor, Property tax data
- Office of the Secretary of Defense, Military housing data
- Economic and Revenue Forecast Council, November 2023 forecast
- Department of Revenue, State property tax levy model

REVENUE ESTIMATES:

This bill increases state property tax revenues by an estimated \$367,000 in the six months of impacted collections in fiscal year 2025, and by \$705,000 in fiscal year 2026, the first full year of impacted collections.

This bill also increases local property tax revenues by an estimated \$1.1 million in the six months of impacted collections in fiscal year 2025, and by \$2.2 million in fiscal year 2026, the first full year of impacted collections.

Public entities collect and pay leasehold excise tax to the department. This bill would impact fewer than three public entities; therefore, any LET impacts are confidential but minimally positive.

PROPERTY TAX SHIFTS:

This bill results in no state or local property tax levy shifts because of the value added to the assessment roll.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 -	\$ 0
FY 2025 -	\$ 367
FY 2026 -	\$ 705
FY 2027 -	\$ 713
FY 2028 -	\$ 720
FY 2029 -	\$ 727

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

FY 2024 -	\$ 0
FY 2025 -	\$ 1,100
FY 2026 -	\$ 2,200
FY 2027 -	\$ 2,300
FY 2028 -	\$ 2,500
FY 2029 -	\$ 2,600

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

State Government, Impact on Revenues (\$000)

CY 2024 -	\$ 0
CY 2025 -	\$ 700
CY 2026 -	\$ 708
CY 2027 -	\$ 716
CY 2028 -	\$ 723

CY 2029 - \$ 730

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

Local Government, Impact on Revenues (\$000)

CY 2024 - \$ 0
 CY 2025 - \$ 2,200
 CY 2026 - \$ 2,300
 CY 2027 - \$ 2,400
 CY 2028 - \$ 2,500
 CY 2029 - \$ 2,600

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.

ASSUMPTIONS:

- This bill would impact fewer than three taxpayers qualifying for the property tax and leasehold excise tax exemptions.

FIRST YEAR COSTS:

The department will not incur costs in fiscal year 2024.

SECOND YEAR COSTS:

The department will incur total costs of \$7,600 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 0.08 FTE.

- Amend two expedited rules.
- Work with counties, reviewing lawful levy calculations for affected districts containing the housing.

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		5,000	5,000		
B-Employee Benefits		1,600	1,600		
E-Goods and Other Services		600	600		
J-Capital Outlays		400	400		
Total \$		\$7,600	\$7,600		

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	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 458-16-110-Rule, titled: "Initial applications and renewal declaration" and WAC 458-29A-400-Rule, titled: "Leasehold excise tax-Exemptions." Persons affected by this rulemaking would include military housing providers and certain taxing districts.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5845 SB

Title: Military housing taxation

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

Legislation Impacts:

- Cities: increase in property tax revenue
- Counties: increase in property tax revenue
- Special Districts: increase in property tax revenue
- Specific jurisdictions only: will only affect military housing in Island and Spokane counties
- 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		168,465	168,465	689,175	781,065
County		212,520	212,520	869,400	985,320
Special District		719,015	719,015	2,941,425	3,333,615
TOTAL \$		1,100,000	1,100,000	4,500,000	5,100,000
GRAND TOTAL \$					10,700,000

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 01/15/2024
Leg. Committee Contact: Jeffrey Mitchell	Phone: 360-786-7438	Date: 01/09/2024
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/15/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/15/2024

Part IV: Analysis

A. SUMMARY OF BILL

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

This bill would:

- eliminate the military housing property tax exemption beginning with property taxes due for the calendar year 2025
- allow an add-on to the 101% levy limit for property taxes due for calendar year 2025 based on the taxable value added to the assessment roll from eliminating the military housing exemption
- eliminate the corresponding military housing LET exemption beginning January 1, 2025

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.

By eliminating the military exemption for property tax and the leasehold excise tax, this bill would increase property tax revenue for local governments.

According to the Department of Revenue (DOR) this bill increases local property tax revenues by an estimated \$1.1 million in the six months of impacted collections in fiscal year 2025, and by \$2.2 million in fiscal year 2026, the first full year of impacted collections. DOR assumes this will only affect military housing in Island and Spokane counties. Therefore, the property tax increase would only be for Island and Spokane counties.

Public entities collect and pay leasehold excise tax to the department. This bill would impact fewer than three public entities; therefore, any LET impacts are confidential but minimally positive. Please see the DOR fiscal note for their full assumptions and data sources.

REVENUE CHANGE

COUNTIES (Island and Spokane only)

FY 2024	\$0
FY 2025	\$212,520
FY 2026	\$425,040
FY 2027	\$444,360
FY 2028	\$483,000
FY 2029	\$502,320

CITIES

FY 2024	\$0
FY 2025	\$168,465
FY 2026	\$336,930
FY 2027	\$352,245
FY 2028	\$382,875
FY 2029	\$398,190

SPECIAL DISTRICTS

FY 2024	\$0
FY 2025	\$719,015
FY 2026	\$1,438,030
FY 2027	\$1,503,395
FY 2028	\$1,634,125
FY 2029	\$1,699,490

SOURCES:

Department of Revenue fiscal note, SB 5845

Department of Revenue Property Tax Statistics 2023

Local Government Fiscal Note Program "Tax Shift and Revenue Loss Model" (2024)



Multiple Agency Ten-Year Analysis Summary

Bill Number 5845 SB	Title Military housing taxation
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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 Partially Indeterminate Impact	0	367,000	705,000	713,000	720,000	727,000	734,000	742,000	750,000	758,000	6,216,000



Ten-Year Analysis

Bill Number 5845 SB	Title Military housing taxation	Agency 140 Department of Revenue
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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		367,000	705,000	713,000	720,000	727,000	734,000	742,000	750,000	758,000	6,216,000
Total			367,000	705,000	713,000	720,000	727,000	734,000	742,000	750,000	758,000	6,216,000
Biennial Totals			367,000	1,418,000		1,447,000		1,476,000		1,508,000		6,216,000

Narrative Explanation (Required for Indeterminate Cash Receipts)

CURRENT LAW:

Qualifying privately owned military housing is exempt from property tax and leasehold excise tax (LET).

Privately owned military housing may be exempt from property tax if all housing is:

- Located on land owned by the United States.
- Used for military personnel and their families.
- A project awarded development under the Military Housing Privatization Initiative.

Current law also provides a limit factor of up to 1% (often referred to as the "101% levy limit") for year-over-year growth in a taxing district's regular property tax levy. All taxing districts, both state and local, may also increase the levy by an additional amount based on the increase in assessed value due to the following add-ons:

- new construction
- construction of wind turbine, solar, biomass, and geothermal facilities
- improvements to property
- increases value of state-assessed property
- increases in real property value within a designated local tax increment finance area.



Ten-Year Analysis

Bill Number	Title	Agency
5845 SB	Military housing taxation	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)

All leasehold interests in real property used for military housing meeting the military housing property tax exemption requirements are also exempt from LET.

PROPOSAL:

This bill eliminates the military housing property tax exemption beginning with property taxes due for the calendar year 2025.

This bill also allows an add-on to the 101% levy limit for property taxes due for calendar year 2025 based on the taxable value added to the assessment roll from eliminating the military housing exemption.

Beginning January 1, 2025, this bill also eliminates the corresponding military housing LET exemption.

EFFECTIVE DATE:

The bill takes effect 90 days after the final adjournment of the session.

ASSUMPTIONS:

- This repeal will only affect military housing in Island and Spokane counties.
- This proposal applies to both state and local property taxes.
- Assessors will add a total estimated value of \$350 million to the assessment roll for property taxes due for collection in calendar year 2025.
- Based on five years of state property tax collections, 52.52% of state property tax collections occur in April and 47.48% occur in October. When converting from calendar year to fiscal year, this estimate assumes revenues shifts and gains follow this trend.
- The revenue impacts shown above and below are for the repeal of the property tax exemption only.
- The elimination of the property tax exemption begins with property taxes due for collection in calendar year 2025.
- The elimination of the LET exemption begins January 1, 2025.

DATA SOURCES:

- County Assessor, Property tax data
- Office of the Secretary of Defense, Military housing data
- Economic and Revenue Forecast Council, November 2023 forecast
- Department of Revenue, State property tax levy model

REVENUE ESTIMATES:



Ten-Year Analysis

Bill Number 5845 SB	Title Military housing taxation	Agency 140 Department of Revenue
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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 bill increases state property tax revenues by an estimated \$367,000 in the six months of impacted collections in fiscal year 2025, and by \$705,000 in fiscal year 2026, the first full year of impacted collections.

This bill also increases local property tax revenues by an estimated \$1.1 million in the six months of impacted collections in fiscal year 2025, and by \$2.2 million in fiscal year 2026, the first full year of impacted collections.

Public entities collect and pay leasehold excise tax to the department. This bill would impact fewer than three public entities; therefore, any LET impacts are confidential but minimally positive.

PROPERTY TAX SHIFTS:

This bill results in no state or local property tax levy shifts because of the value added to the assessment roll.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 - \$ 0
FY 2025 - \$ 367
FY 2026 - \$ 705
FY 2027 - \$ 713
FY 2028 - \$ 720
FY 2029 - \$ 727

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

FY 2024 - \$ 0
FY 2025 - \$ 1,100
FY 2026 - \$ 2,200
FY 2027 - \$ 2,300
FY 2028 - \$ 2,500
FY 2029 - \$ 2,600

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



Ten-Year Analysis

Bill Number 5845 SB	Title Military housing taxation	Agency 140 Department of Revenue
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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)

<p>State Government, Impact on Revenues (\$000)</p> <p>CY 2024 - \$ 0</p> <p>CY 2025 - \$ 700</p> <p>CY 2026 - \$ 708</p> <p>CY 2027 - \$ 716</p> <p>CY 2028 - \$ 723</p> <p>CY 2029 - \$ 730</p> <p>State Government, (\$000), Shift of Tax Burden: None</p> <p>Local Government, Impact on Revenues (\$000)</p> <p>CY 2024 - \$ 0</p> <p>CY 2025 - \$ 2,200</p> <p>CY 2026 - \$ 2,300</p> <p>CY 2027 - \$ 2,400</p> <p>CY 2028 - \$ 2,500</p> <p>CY 2029 - \$ 2,600</p> <p>Local Government, (\$000), Shift of Tax Burden: None</p>

Agency Preparation: Erika Ferrara	Phone: 360-534-1517	Date: 1/15/2024 9:07:35 am
Agency Approval: Valerie Torres	Phone: 360-534-1521	Date: 1/15/2024 9:07:35 am
OFM Review:	Phone:	Date: