

Multiple Agency Fiscal Note Summary

Bill Number: 2375 HB	Title: Senior property tax ex./ADUs
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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	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Total \$	0	0	0	0	0	0	0	0	0

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	Non-zero but indeterminate cost and/or savings. Please see discussion.					
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	.1	33,900	33,900	33,900	.0	0	0	0	.0	0	0	0
Total \$	0.1	33,900	33,900	33,900	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: Amy Hatfield, OFM	Phone: (360) 280-7584	Date Published: Final 1/25/2024
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Department of Revenue Fiscal Note

Bill Number: 2375 HB	Title: Senior property tax ex./ADUs	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

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		33,900	33,900		
Total \$		33,900	33,900		

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: Kristina King	Phone: 60-786-7190	Date: 01/15/2024
Agency Preparation: Frank Wilson	Phone: 60-534-1527	Date: 01/24/2024
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/24/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/25/2024

Request # 2375-1-1

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 a property tax exemption (exemption) on the principal residence of qualifying persons, such as senior citizens, veterans, and individuals with disabilities. The level of exemption varies based on the participant's income.

The exemption applies to the principal place of residence of the applicant and up to one acre of land the dwelling stands upon, or, up to five acres if local land use regulations require the extra acreage.

The exemption requires the applicant to occupy the "principal place of residence" for more than six months each calendar year to claim the exemption.

PROPOSAL:

This bill changes the definition of "residence" to include one accessory dwelling unit (ADU). This expands the property tax exemption for senior citizens, veterans, and individuals with disabilities.

This definition expands the property tax deferral programs for:

- 1) Senior citizens, veterans, and individuals with disabilities.
- 2) Homeowners with limited income.

The definition also expands the widow/widower grant program.

The bill defines an ADU as a separate, autonomous residential dwelling unit offering one or more individuals complete independent living facilities. This establishes permanent living, sleeping, eating, cooking, and sanitation provisions.

EFFECTIVE DATE:

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

This bill 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 senior exemption (RCW 84.36.381) participants who have or are planning to build an ADU is unknown.
- As of 2022, 277 participants qualified for the senior deferral program (RCW 84.38.030); the likelihood of a participant building an ADU is unknown but assumed minimal.
- As of 2022, 24 participants qualified for the limited income households deferral program (RCW 84.37.030); the likelihood of a participant building an ADU is unknown but assumed minimal.
- As of 2022, 11 participants qualified for the widow or widower grant program (RCW 84.39.010); the likelihood of a participant building an ADU is unknown but assumed minimal.
- Determining the number of senior exemption and deferral participants that could lose their exemption due to increased income from renting an ADU is unknown.

DATA SOURCES:

- County assessor data
- Cato Institute, The Promising Results of Accessory Dwelling Unit Reform

- Department of Revenue, Impact of Senior Property Tax Relief 2023

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. This bill results in a shift to other taxpayers and no loss to the state levy.

PROPERTY TAX SHIFTS:

Based on the assumptions above, the state levy shift is indeterminate but assumed minimal.

Local districts will also experience an indeterminate but assumed minimal shift of taxes to other taxpayers. The local shift may result in a local revenue loss due to levy limits.

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 proposal affects senior deferral participants, limited-income household deferral participants, and the widow or widower grant program participants who have or are planning to build an ADU.

FIRST YEAR COSTS:

There are no first year costs.

SECOND YEAR COSTS:

The department will incur total costs of \$33,900 in fiscal year 2025. These costs include:

- Labor Costs – Time and effort equate to 0.25 FTE.
- Amend five administrative rules.
- Amend one excise tax advisory (ETA).
- Update forms, publications, and training materials, including training for county staff.

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		21,400	21,400		
B-Employee Benefits		7,100	7,100		
E-Goods and Other Services		3,700	3,700		
J-Capital Outlays		1,700	1,700		
Total \$		\$33,900	\$33,900		

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		
EMS BAND 5	153,836		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		0.1	0.1		
TAX POLICY SP 4	95,184		0.0	0.0		
WMS BAND 3	111,992		0.0	0.0		
Total FTEs			0.3	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 standard process to amend WAC 458-16A-100, titled: "Senior citizen, disabled person, and disabled veteran exemption-Definitions."

The department will also use the expedited process to amend:

- WAC 458-16A-130, titled: "Senior citizen, disabled person, and disabled veteran exemption-Qualifications."
- WAC 458-16A-135, titled: "Senior citizen, disabled person, and disabled veteran exemption-Application procedures."
- WAC 458-16A-140, titled: "Senior citizen, disabled person, and disabled veteran exemption-Freezing property values."
- WAC 458-16A-150, titled: "Senior citizen, disabled person, and disabled veteran exemption-Requirements for keeping exemption."

Persons affected by this rulemaking would include senior citizens who may qualify due to the expansion of the exemption.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 2375 HB

Title: Senior property tax ex./ADUs

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: decrease in property tax revenue, tax shift
- Special Districts: decrease in property tax revenue, tax shift
- 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: how many tax payers would apply for the modified exemption, amount of tax exemption

Estimated revenue impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 01/25/2024
Leg. Committee Contact: Kristina King	Phone: 360-786-7190	Date: 01/15/2024
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/25/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/25/2024

Part IV: Analysis

A. SUMMARY OF BILL

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

This bill would amend RCW 84.36.383 to modify the term "residence" to include one accessory dwelling unit under the property that qualifies for the senior citizens property tax exemption. The bill also adds a definition for "accessory dwelling unit."

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 the exemption program already exists.

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 modify the senior property tax exemption to include one accessory dwelling unit.

According to the Department of Revenue (DOR) this bill may result in a local revenue loss due to levy limits. Local districts will also experience an indeterminate but assumed minimal shift of taxes to other taxpayers. It is unknown how many tax payers would be approved for the modified exemption or the amount of such tax exemption, therefore, the impact is indeterminate.

Please see the DOR fiscal note for the complete list of their assumptions and data sources.

SOURCE:

Department of Revenue fiscal note, HB 2375 (2024)