

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5770 S SB	<b>Title:</b> Property tax
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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	(2,600,000)	(2,600,000)	(2,600,000)	(10,000,000)	(10,000,000)	(10,000,000)	(10,500,000)	(10,500,000)	(10,500,000)
<b>Total \$</b>	(2,600,000)	(2,600,000)	(2,600,000)	(10,000,000)	(10,000,000)	(10,000,000)	(10,500,000)	(10,500,000)	(10,500,000)

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		62,000,000		413,000,000		792,000,000
Local Gov. Total		62,000,000		413,000,000		792,000,000

## 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	.5	125,500	125,500	125,500	.1	23,400	23,400	23,400	.1	23,400	23,400	23,400
<b>Total \$</b>	0.5	125,500	125,500	125,500	0.1	23,400	23,400	23,400	0.1	23,400	23,400	23,400

## 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
<b>Total \$</b>	0.0	0	0	0.0	0	0	0.0	0	0

## Estimated Capital Budget Breakout

<b>Prepared by:</b> Amy Hatfield, OFM	<b>Phone:</b> (360) 280-7584	<b>Date Published:</b> Final 2/12/2024
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# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5770 S SB	<b>Title:</b> Property tax	<b>Agency:</b> 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		(2,600,000)	(2,600,000)	(10,000,000)	(10,500,000)
<b>Total \$</b>		(2,600,000)	(2,600,000)	(10,000,000)	(10,500,000)

### Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		1.0	0.5	0.1	0.1
GF-STATE-State 001-1		125,500	125,500	23,400	23,400
<b>Total \$</b>		125,500	125,500	23,400	23,400

### 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: (606) 786-7438	Date: 02/06/2024
Agency Preparation: Mark Studer	Phone: (606) 534-1507	Date: 02/08/2024
Agency Approval: Valerie Torres	Phone: (606) 534-1521	Date: 02/08/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/12/2024

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.*

Note: This fiscal note reflects language in SSB 5770, 2024 Legislative Session.

#### COMPARISON OF SUBSTITUTE BILL WITH ORIGINAL BILL:

The substitute bill:

- Removes the increase to the limit factor for both parts of the state property tax levy.
- Replaces the use of the growth in population in the limit factor with a banked inflation balance.
- Adds no shift language so the new exemption for the senior program does not shift property taxes to other taxpayers.
- Removes some restrictions on how funds raised from a levy lid lift may be used.
- Revises how counties may use funds from a county hospital levy.

#### CURRENT LAW:

Current law annually limits a taxing district's increase in its regular property tax levy 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 local tax increment finance area designated by a local government.

Current law defines:

- "Limit factor" as:
  - For taxing districts with a population of less than 10,000, 101%.
  - For all other districts, the lesser of 101% or 100% plus inflation. However, if inflation is less than 1%, taxing districts, except the state, that adopt a substantial need resolution can have a limit of up to 101%.
- "Inflation" 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.

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 and some local property tax levies.

A taxing district may levy a property tax in an amount exceeding the limit factor (often referred to as a "levy lid lift") when a majority of the voters in the taxing district approve a proposition. The levy increase may be approved for up to six years, and the title of the ballot must state the limited purposes for which the funds will be used as a result of the levy lid lift.

The legislative authority of any county may establish, provide, and maintain hospitals. If a hospital is established, the county legislative authority can levy a property tax, not to exceed 50 cents per \$1,000 of assessed value in any one year, for maintenance of the hospital.

The county may:

- Purchase, lease, or use lands already owned by the county.
- Erect buildings, make necessary improvements and repairs, and alter any existing building for the use of a hospital.
- Use county moneys, levy taxes, and issue bonds as authorized by law to raise money to cover the cost of procuring the

site, constructing, operating, and maintaining the hospitals.

**PROPOSAL:**

This bill increases the regular property tax levy growth limit for local tax districts by revising the definition of “inflation” and “limit factor.”

This bill 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 for 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 bill revises the “limit factor” definition for all local taxing district’s regular property tax levies to mean 100% plus inflation and any banked inflation balance, but not to exceed 103%.

This bill defines “banked inflation balance” as the accumulated annual inflation in excess of 3% from the prior year.

This bill repeals the existing substantial need provisions (RCW 84.55.0101).

This bill exempts parcels eligible for the senior exemption from 25% of Part 1 of the state levy and requires the exemption from Part 1 to not shift to other property owners. With this no-shift provision, any exemption results in a state general fund revenue reduction.

This bill removes some restrictions on how funds raised from a levy lid lift may be used.

This bill revises how counties may use funds from a county hospital levy. The funds may now be used to finance or refinance a site, capital expenses, operations, and payment of principal and interest on bonds for county hospitals, in addition to existing provisions. As well,

- If approved by the county legislative authority, the hospital levy proceeds may be used to partially or fully compensate taxing districts for reductions in district levies resulting from the imposition of the levy.
- A county general levy may exceed the limit factor when initially imposing a levy to support a county hospital.

**EFFECTIVE DATE:**

This bill takes effect 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:**

- Based on the Economic and Revenue Forecast Council's November 2023 forecast, the limit factor for Part 1 and Part 2 of the state levy remains unchanged through the 2027-29 biennium.
- Districts can take the greater of the levy increase authorized by this proposal or approved by voters.
- Taxing districts taking less than the current 101% limit will not utilize the increased limit factor.
- Only minor prorationing occurs under the \$5.90 aggregate limit in Whitman County 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.
- Expanding how funds can be used for county hospital levies and voter-approved levies will not result in additional levies.
- Based on five years of state property tax collections, 52.52% of property tax collections occur in April and 47.48% occur in October. When converting from calendar year to fiscal year, this estimate assumes revenue gains and losses follow this trend.

DATA SOURCES:

- Economic and Revenue Forecast Council, November 2023 forecast
- State Property Tax Model, November 2023
- County assessor data

REVENUE ESTIMATES:

This bill decreases state revenues by an estimated \$2.6 million in the six months of impacted collections in fiscal year 2025, and by \$4.9 million in fiscal year 2026, the first full year of impacted collections.

This bill also increases local revenues by an estimated \$62.1 million in the six months of impacted collections in fiscal year 2025, and by \$161.4 in fiscal year 2026, the first full year of impacted collections.

PROPERTY TAX SHIFTS:

This legislation results in no state or local property tax levy shifts.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 -	\$ 0
FY 2025 -	(\$ 2,600)
FY 2026 -	(\$ 4,900)
FY 2027 -	(\$ 5,100)
FY 2028 -	(\$ 5,200)
FY 2029 -	(\$ 5,300)

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

FY 2024 -	\$ 0
FY 2025 -	\$ 62,000
FY 2026 -	\$ 161,000
FY 2027 -	\$ 252,000
FY 2028 -	\$ 348,000
FY 2029 -	\$ 444,000

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

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

CY 2024 -	\$ 0
CY 2025 -	(\$ 4,900)
CY 2026 -	(\$ 5,000)
CY 2027 -	(\$ 5,100)
CY 2028 -	(\$ 5,200)
CY 2029 -	(\$ 5,400)

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

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

CY 2024 -	\$ 0
CY 2025 -	\$ 118,000
CY 2026 -	\$ 200,000
CY 2027 -	\$ 299,000
CY 2028 -	\$ 392,000
CY 2029 -	\$ 491,000

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.*

**ASSUMPTIONS:**

This proposal affects taxing districts and senior exemption participants.

**FIRST YEAR COSTS:**

The department will not incur costs in fiscal year 2024.

**SECOND YEAR COSTS:**

The department will incur total costs of \$125,500 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 1.03 FTEs.

- Amend eight administrative rules.
- Policy guidance to assist operating divisions with forms, publications, and other needs.
- Update forms, publications, training materials, and forecasting models.

**ONGOING COSTS:**

Ongoing costs for the 2025-27 biennium equal \$23,400 and include similar activities described in the second-year costs. Time and effort equate to 0.10 FTEs.

**Part III: Expenditure Detail**

**III. A - Expenditures by Object Or Purpose**

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		1.0	0.5	0.1	0.1
A-Salaries and Wages		77,100	77,100	15,200	15,200
B-Employee Benefits		25,400	25,400	5,000	5,000
E-Goods and Other Services		15,500	15,500	2,000	2,000
G-Travel		300	300	600	600
J-Capital Outlays		7,200	7,200	600	600
<b>Total \$</b>		\$125,500	\$125,500	\$23,400	\$23,400

**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	131,684		0.0	0.0		
MGMT ANALYST4	76,188		0.0	0.0		
PROPERTY AND ACQUISITION SI	76,188		0.1	0.1	0.1	0.1
TAX INFO SPEC 3	61,056		0.5	0.3		
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		0.2	0.1		
WMS BAND 3	111,992		0.0	0.0		
<b>Total FTEs</b>			1.0	0.5	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 458-16A-130, titled: "Senior citizen, disabled person, and disabled veteran exemption—Qualifications for exemption."

WAC 458-19-005, titled: "Definitions."

WAC 458-19-05001, titled: "Port district levies for industrial development district purposes."

WAC 458-19-010, titled: "Levy limit and levy rate calculations."

WAC 458-19-020, titled: "Levy limit—Method of calculation."

WAC 458-19-030, titled: "Levy limit—Consolidation of districts."

WAC 458-16-045, titled: "Levy limit—Removal of limit (lid lift)."

WAC 458-19-550, titled: "State levy—Apportionment between counties."

Persons affected by this rulemaking would include taxing districts and senior citizens.

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5770 S SB

Title: Property tax

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

### Legislation Impacts:

Cities: increase in property 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: counties can choose how to use funds from a county hospital levy

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		9,495,300	9,495,300	63,250,950	121,294,800
County		11,978,400	11,978,400	79,791,600	153,014,400
Special District		40,526,300	40,526,300	269,957,450	517,690,800
<b>TOTAL \$</b>		62,000,000	62,000,000	413,000,000	792,000,000
<b>GRAND TOTAL \$</b>					1,267,000,000

### Estimated expenditure impacts to:

None

## Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 02/09/2024
Leg. Committee Contact: Jeffrey Mitchell	Phone: 360-786-7438	Date: 02/06/2024
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/09/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/12/2024



## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

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

This fiscal note reflects language in SSB 5770, 2024 Legislative Session.

#### CHANGES BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:

- removes the increase to the limit factor for both parts of the state property tax levy
- replaces the use of the growth in population in the limit factor with a banked inflation balance
- adds no shift language so the new exemption for the senior program does not shift property taxes to other taxpayers
- removes some restrictions on how funds raised from a levy lid lift may be used
- revises how counties may use funds from a county hospital levy

#### SUMMARY OF CURRENT BILL:

This bill would:

- increases the property tax revenue limit for local property taxes
- exempt property owners qualifying under the retired persons property tax relief program from 25 percent of part one of the state levy
- eliminate non-supplant restrictions applicable to local government taxing districts located in a county with a population of 1.5 million or more
- modifies the portion of a county current expense levy allocated in statute to funding county-owned hospitals

### **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.*

#### CHANGES IN EXPENDITURE IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:

The changes in the substitute version do not create any new fiscal impacts to local government expenditures. This bill does modify how counties may use funds from a county hospital levy, creating an option to finance or refinance a site, capital expenses, operations, and payment of principal and interest on bonds for county hospitals, in addition to existing provisions. There may be increased administrative costs for counties choosing to use funds in these additional ways, but this would be a local option.

#### EXPENDITURE IMPACTS OF CURRENT BILL:

This bill would not impact local government expenditures because no new 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.*

#### CHANGES IN REVENUE IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:

This substitute version lowers the tax revenue increase from the original bill by replacing the use of the growth in population in the limit factor with a banked inflation balance.

#### REVENUE IMPACTS OF CURRENT BILL:

This bill 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 increases local government property tax revenue.

According to the Department of Revenue (DOR) this bill increase local revenues by an estimated \$62.1 million in the six months of impacted collections in fiscal year 2025, and by \$161.4 in fiscal year 2026, the first full year of impacted collections. Please see the DOR fiscal note for their assumptions and data sources.

## LOCAL GOVERNMENT TAX INCREASE BREAKDOWN

### COUNTIES

FY 2024	\$0
FY 2025	\$11,978,400
FY 2026	\$31,105,200
FY 2027	\$48,686,400
FY 2028	\$67,233,600
FY 2029	\$85,780,800

### CITIES

FY 2024	\$0
FY 2025	\$9,495,300
FY 2026	\$24,657,150
FY 2027	\$38,593,800
FY 2028	\$53,296,200
FY 2029	\$67,998,600

### SPECIAL DISTRICTS

FY 2024	\$0
FY 2025	\$40,526,300
FY 2026	\$105,237,650
FY 2027	\$164,719,800
FY 2028	\$227,470,200
FY 2029	\$290,220,600

### SOURCES:

Department of Revenue Property Tax Statistics 2023

Department of Revenue fiscal note, SSB 5770 (2024)

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

Senate Bill Report, SB 5770, Ways and Means Committee (2/05/2024)