

2001 PROPERTY TAX LEGISLATION

Bills are effective July 22, 2001 unless otherwise stated

HB 1055 - Lake Cushman lots; shift from leasehold to property tax (Chapter 26, Laws of 2001)

Presently, the residential and recreational properties located at Lake Cushman are subject to leasehold excise tax, since they are leased from a public entity. The bill provides that leasehold interests of 3,000 or more residential and recreational lots are exempt from leasehold excise tax and subject instead to property taxation, as if the property were privately owned. The leasehold tax exemption is effective on January 1, 2002 and the property tax application begins for tax due in calendar year 2002. This bill also authorizes the use of valuation data from three previous years, instead of only the preceding year, in the process of equalizing personal property values. This provision is effective for levies made in the year 2001 for collection in 2002 and thereafter. Section 13 provides a procedure for correcting levy errors; it is effective on January 1, 2002, and applies to errors that occur on or after January 1, 2002.

SHB 1202 - Property tax statutory revisions (Chapter 185, Laws of 2001)

This bill contains a variety of changes for property tax statutes that are administrative in nature. Main points include: 1) Adding a reference to RCW 84.40.038 to statutes dealing with appeals of exemption and destroyed property determinations and making related changes. This will ensure consistency in the time frame for all property tax-related appeals. This applies to taxes levied in 2001 and after. 2) The Department will use three years of data to determine the personal property ratio in each county. 3) This bill provides a method for the correction or calculation of distribution errors. Section 14 is effective on January 1, 2002 and applies to errors made on and after that date.

ESHB 1418 - Property tax; community revitalization financing (Chapter 212, Laws of 2001)

This bill seeks to encourage the development of community public facilities that are intended to promote economic development and investment by the private sector in particular areas within cities. The bill authorizes local governments to finance public improvements by devoting the increased property tax revenues of surrounding parcels to finance the cost of the project. The local jurisdiction must designate an "increment area" and specify the nature of the improvement. As used in this bill, regular levies do not include the state property tax levy, or levies by ports and public utility districts for general indebtedness. The authority for local taxing districts to utilize community revitalization financing, also known as tax increment financing, will last until July 1, 2010. There is no impact on state revenues.

SHB 1450 - Current use compensating tax exemptions for owner's death (Chapter 305, Laws of 2001) This bill provides a new exemption from the compensating tax that applies to classified or designated forest lands and open space, agricultural and timber lands which are removed from the current use assessment programs. If the sale or transfer of the land occurs within two years of the death of the owner, or if the sale or transfer occurs within two years of the effective date of this bill and the owner's death occurred after January 1, 1991, then the compensating tax will not apply. To qualify, the property must have been continuously enrolled in the current use program since 1993. The bill will reduce the state property tax levy by an estimated \$45,000 for each of the first two years and \$33,000 annually thereafter. Local levies will be reduced by \$136,000 for each of the first two years and nearly \$100,000 annually thereafter.

SHB 1467 - Property tax housekeeping changes (Chapter 187, Laws of 2001)

Many technical corrections to property tax statutes are contained in this legislation. The purpose is to simplify and clarify the language, remove superfluous references, and improve the internal consistency of these statutes. There are no substantive revisions and the bill has no revenue impact.

SHB 1906 - State levy exemption for farm machinery (Chapter 24, Laws of 2001, 2nd Special Session) A personal property tax exemption is provided for machinery and equipment owned by farmers and used exclusively for growing agricultural products in the year for which the exemption is taken. The exemption applies only to the state property tax levy, not local government levies. Farmers must apply annually for the exemption with their county assessor on forms that are furnished by the Department. The impact of the exemption will be shifted to other taxpayers. The bill will first apply to taxes paid in calendar year 2003. Farmers will be eligible to submit exemption applications during 2002.

HB 2098 - Property tax exemption for low income housing (Chapter 7, Laws of 2001, 1st Special Session) This bill expands a property tax exemption for nonprofit organizations that provide rental housing for households with very low income. The changes are intended to augment a program enacted in 1999 and allow greater utilization of the tax benefits. Additional amendments affect small mobile home parks, change in the assessment date, increases in income, etc. It is estimated that the changes in this bill will extend the exemption to properties with an assessed value of about \$16 million. There is no impact on the state property tax levy, but some \$44,000 of the state levy will be shifted to other taxpayers each year. The local revenue loss will be about \$24,000 annually and some \$131,000 will be shifted to other taxpayers. The bill is effective on August 23, 2001.

SHB 2184 - Park model trailers subject to real estate excise tax (Chapter 282, Laws of 2001) Park model trailers are semi-permanently sited travel trailers that do not exceed 400 square feet in size. Currently, these units are registered with the Department of Licensing as travel trailers and are subject to use tax when they are sold and the registration is transferred to the buyer. This bill makes the transfer of used models subject to real estate excise tax, instead of use tax, similar to the tax treatment for conventional homes, including mobile homes. There are an estimated 1,800 park model trailers located in the state; nearly all are in Whatcom County. The net impact of the tax shift is estimated at a reduction in state revenue of \$350,000 for the 2001-03 Biennium (gain of \$86,000 in real estate excise tax and loss of \$436,000 in use tax). The impact for local governments is a net reduction of \$111,000. The bill is effective on August 1, 2001.

ESHB 2191 - Property tax exemptions; public hospitals and educational foundations (Chapter 126, Laws of 2001) This bill provides property tax exemptions for property leased to public schools and public hospitals. The exemptions become effective for taxes due in calendar year 2002.

SSB 5638 - DOR to collect senior citizen deferrals (Chapter 299, Laws of 2001) This bill contains a variety of technical corrections for programs administered by County Treasurers. The only substantive provision affecting the Department is the requirement in Section 18 that makes the Department responsible for the collection of deferred property taxes for the senior citizen deferral. However, in instances where the Department is unsuccessful in collecting the amount owed, the County Treasurer remains responsible for collecting it. There are fewer than 900 participants currently in the program.

SSB 5702 - Simplification of current use assessment programs (Chapter 249, Laws of 2001) This bill relates to lands subject to current use assessment for property tax purposes - forest lands under Chapter 84.33 RCW and open space, agricultural and timber lands under Chapter 84.34 RCW. Most of the changes are intended to simplify administration of the programs for both counties and property owners and improve the consistency between both statutes.