

# Special Notice

*Intended audience: County assessors, county treasurers, taxing districts, local governments, and property owners with homes damaged by natural disasters.*

**July 25, 2021**

## Legislative changes to property tax administration

The 2021 Legislature passed several bills relating to property tax administration that take effect July 25, 2021.

### EHB 1386 Targeted urban area property tax exemption

[Engrossed House Bill 1386](#) makes revisions to the ten-year property tax exemption administered by cities and towns for the value of new construction improvements for industrial or manufacturing facilities in targeted urban areas. The bill:

- Expands eligibility to allow any city or town to utilize the exemption, rather than certain target cities.
- Eliminates the population criteria for a city or town to be eligible for exemption.
- Specifies certain labor specifications that must be given priority by a city when evaluating applications for the exemption.
- Increases required family living wage jobs to \$23 per hour with health care benefits.
- Revises certain administrative exemption provisions.
- Allows a city to limit the use of facilities to manufacturing uses.
- Extends the deadline to apply for an exemption to Dec. 31, 2030.

### HB 1034 Park and recreation district levies

[House Bill 1034](#) makes revisions to the aggregate levy limitations for park and recreation districts located on an island in a county with a population greater than 2,000,000. The bill:

- Removes these levies from the \$5.90 aggregate rate limit.

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- Revises the pro-rationing order within the constitutional 1% aggregate rate limit. This park and recreation levy rate is subject to reduction or elimination due to the Constitutional 1% limit before other park and recreation districts not located on an island in a county with a population greater than 2,000,000.
- At this time King County is the only county with a population greater than 2,000,000.
- Expires Jan. 1, 2027.

## **ESSHB 1069 Provides a variety of local government fiscal flexibility, which includes levy lid lifts**

[Engrossed Second Substitute House Bill 1069](#) makes provisions concerning local government fiscal flexibility. This Special Notice only includes the portion of the bill changing property tax laws. Specifically Part V of the bill:

- Extends the time period for levy lid lifts approved after July 26, 2009, through Dec. 31, 2010, to also include lid lifts approved in the calendar years 2015 through 2022 in which taxing districts in any county with a population of 1,500,000 or more, currently King County, may supplant existing funds when the voters approve a levy lid lift.

## **ESHB 1476 Enrichment levy per-pupil limit**

[Engrossed Substitute House Bill 1476](#) makes revisions to the enrichment levy formula in the 2022 tax year used to determine the maximum per-pupil levy limit for school districts due to changes in enrollment during the COVID-19 pandemic. The bill:

- Changes the definition of “prior school year” from the most recent school year completed prior to the year in which the levies are to be collected for the 2022 tax year to:
  - ◊ The greater of the 2019/2020 school year or the 2020/2021 school year average annual full-time equivalent students enrolled in the district if the school district was open for a minimum of 40 hours of in-person instruction per month.

## **SHB 1309 Concerning the dates of certification of levies for county legislative authorities**

[Substitute House Bill 1309](#) makes revisions to the dates in which the county legislative authority must certify levy request amounts to the county assessor. The bill:

- Extends the due date from November 30 to December 15 for a county legislative authority to certify the county levy amount to the county assessor.
- Extends the due date from November 30 to the first Monday in December for a county legislative authority to certify levy amounts to the county assessor for taxes levied on behalf of taxing districts within or adjacent to the county.

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- Does not change the existing November 30 deadline for taxing districts to certify their budget or estimate of the amounts to be levied through property taxation to the county legislative authority, and those taxing districts authorized to certify their levy request amount directly to the county assessor, such as the City of Seattle.

## **ESB 5454 Legislative changes for qualifying single family dwellings damaged by a natural disaster**

[Engrossed Senate Bill 5454 \(ESB 5454\)](#) amends [RCW 84.70.010](#) regarding destroyed property claims for improvements that were damaged or destroyed by natural disasters, and creates a property tax exemption for the amount of new construction that replaces the qualifying single family dwelling damaged or destroyed as a result of a qualifying natural disaster. The bill:

- Establishes a new three-year property tax exemption for improvements to single family dwellings that have been damaged, and reduced in assessed value by more than 20%, due to a natural disaster that occurred on or after Aug. 31, 2020, beginning with taxes levied for collection in 2022. Qualifying properties must be located in a disaster area declared by the governor or a county legislative authority.
- Limits the value of the exemption to the total amount of the reduction in value due to the damage to, or destruction of, the property. This amount is determined by deducting the value of the property after it was damaged from the value of the property before it was damaged. This exemption may also apply to a complete re-build of a totally destroyed home.
- Requires property owners to apply for the exemption with the county assessor prior to initiating construction of the new improvement. If a taxpayer initiated new construction prior to the effective date of this legislation, July 25, 2021, they must apply for the exemption by Oct. 1, 2021. To qualify, the dwelling must be owned by the same person(s), or their relatives, who owned the property at the time it was negatively impacted by the natural disaster.
- Prohibits the county assessor from approving any applications for exemption received after June 30, 2026.
- Requires the value of the improvements to be considered as new construction as though the property was not exempt for levy purposes under chapters 36.21 and 84.55 RCW.

A new [exemption application form](#) for homes damaged by a qualifying natural disaster is available on our website at [dor.wa.gov](http://dor.wa.gov).

For more information regarding destroyed property, please refer to the [Destroyed Property FAQ](#).

## **EHB 1271 Adopted IAAO standards for property inspections and includes personal property for delinquent payments in the current year**

[Engrossed House Bill 1271 \(EHB 1271\)](#) amends multiple statutes in order to ensure the continuity of operations in county elected officials' offices during the current COVID-19 pandemic and future public health crises. The statutory changes related to property tax amended:

- RCW 84.41.041 to allow county assessors to review real property characteristics using

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recommendations included in the International Association of Assessing Officers (IAAO) standards. IAAO recommendations include the use of digital imagery tools to supplement the physical inspection of property.

- RCW 84.56.020(4) to include personal property when tax payments are delinquent for the current year, if taxes are paid after April 30.

**Changes to RCW 84.41.041 include:**

- Recommendations for on-site inspections and using digital imagery tools as a supplement to physical inspection. The IAAO's Standard on Mass Appraisal of Real Property (3.3.5) suggests that imaging tools should include the following:
  - ◇ High-resolution street-view images (at a sub-inch pixel resolution that enables quality grade and physical condition to be verified).
  - ◇ Orthophoto images (minimum 6-inch pixel resolution in urban/suburban and 12-inch resolution in rural areas, updated every two years in rapid-growth areas or 6–10 years in slow-growth areas).
  - ◇ Low-level oblique images capable of being used for measurement verification (four cardinal directions, minimum 6-inch pixel resolution in urban/suburban and 12-inch pixel resolution in rural areas, updated every two years in rapid-growth areas or 6–10 years in slow-growth areas).
  - ◇ These tool sets may incorporate change detection techniques that compare building dimension data (footprints) in the CAMA system to georeferenced imagery or remote sensing data from sources (such as LiDAR [light detection and ranging]) and identify potential CAMA sketch discrepancies for further investigation. Assessment jurisdictions and oversight agencies must ensure that images meet expected quality standards.
- The IAAO's Standard on Mass Appraisal of Real Property (3.3.4) states that on-site verification of property characteristics should be done every four to six years and include a re-measurement of the two most complex sides of improvements and a walk around the improvements to identify additions and deletions. In addition to the regular inspection cycle, on-site physical inspections must be performed to inspect changes to parcels including new construction, new parcels, remodeling, demolition, and destruction (destroyed property).
- Does not eliminate the requirement for every taxable real property parcel in a county to be physically inspected. Under both RCW 84.41.030 and 84.41.041(as amended by EHB 1271), a physical inspection of real property is required at least once every six years and in accordance with the county revaluation plan on file with the Department of Revenue.

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**Changes to RCW 84.56.020(4) include:**

- Adding personal property for delinquent tax payments in the current year, when the first half taxes are paid after April 30. Prior to the passage of EHB 1271, RCW 84.56.020(4) made reference to the total amount of tax or special assessments on any lot, block or tract of real property, or on any mobile home.

The addition of personal property is a clarification that when the total amount of tax or special assessments on any lot, block or tract of real property, personal property, or on any mobile home payable by one person is fifty dollars or more. If one-half of such tax is paid after the thirtieth day of April, but before the thirty-first day of October, together with the applicable interest and penalty on the full amount of tax payable for that year, the remainder of such tax is due and payable on or before the following thirty-first day of October and is delinquent after that date.

**Questions?**

If you have questions or need additional information, please contact the Department of Revenue, Property Tax Division at 360-534-1400 or your county assessor.