

2008 PROPERTY TAX LEGISLATION

Bills became effective June 12, 2008, unless otherwise stated.

HB 2416

Limitation on increase in regular property tax levies (Chapter 1, Laws of 2007, 1st Special Session)

In November 2001 the voters adopted Initiative 747, which limited the degree to which total property tax receipts from regular (non-voter-approved) levies could increase from one year to the next. This limitation replaced several earlier limits and reduced the allowable rate of increase to the rate of inflation or 1 percent, whichever is less. In June 2006 the King County Superior Court determined I-747 violated the State Constitution's prohibition against amending current law by reference. In November 2007 the State Supreme Court upheld the lower court's decision. That same month the Legislature met in special session and adopted HB 2416, which reinstates the 1 percent levy limit established by I-747.

The provisions of the bill are retroactive to taxes levied for collection in calendar year 2002. The retroactivity allows districts to maintain any future levy capacity (unused levy authority) accumulated under I-747 since 2002 but avoids the larger amount of future levy capacity that may have resulted from the Court's decision to overturn I-747. Without legislation, the state and local taxing districts would almost always have been able to increase their regular property tax levies by more than what would have been allowed under I-747. Therefore, this legislation reduces property tax revenues. The estimated reduction in state property tax collections is \$35,089,000 for the remainder of this biennium and \$96,913,000 for the 2009-2011 Biennium. The estimated reduction in local regular property tax collections is \$73,491 for the remainder of this biennium and \$236,369 for the 2009-2011 Biennium.

HB 2416 was effective November 29, 2007.

SSB 6178

Deferral of property tax for certain homeowners (Chapter 2, Laws of 2007, 1st Special Session)

This bill creates a new property tax deferral program for households with a combined disposable income of \$57,000 or less. This new deferral program is similar to the existing property tax deferral program for senior citizens and disabled persons, except that the new program has no age or disability requirement.

Under the new deferral program, eligible homeowners of any age may defer one-half of the property taxes and special assessments imposed on the homeowner's primary residence, if the first half taxes and assessments are paid by the April 30 due date. To qualify, the homeowner must have owned the residence for at least five years. The total amount of taxes deferred under this program may not exceed 40 percent of the homeowner's equity value in the property. Deferred property taxes and special assessments become a lien in favor of the state upon the claimant's residence. These liens accrue interest based on the average of the federal short-term interest rate as defined in 26 U.S.C Sec 1274(d) plus two percentage points. The state must reimburse local taxing districts for the lost property tax revenue. The bill requires a review of the program by the Joint Legislative Audit and Review Committee (JLARC) and a report to the Legislature by December 1, 2011. The Department of Revenue and county assessors are directed to provide the JLARC with data necessary for its evaluation.

It is difficult to estimate the participation rate in the new deferral program. The Department has projected that approximately 5,500 eligible households might choose to defer their second half taxes starting in 2008. In addition to the costs of administering the program, the potential impact on the state general fund may exceed \$5,000,000 for reimbursement to local jurisdictions during the first year. The annual reimbursement cost will rise to \$6,400,000 for each year of the next biennium and to \$7,900,000 per year by the 2011-13 Biennium.

SSB 6178 became effective November 29, 2007. It applies to taxes due and payable after April 30, 2008.

**E2SHB 1621 Manufactured/mobile home communities; real estate excise tax exemption
(Chapter 116, Laws of 2008)**

In 1993 the Legislature provided tenants of mobile home and manufactured housing parks with a right of first refusal in case the park property is listed for sale by the owner. The State Supreme Court ruled in 2000 that this constitutes an unconstitutional “taking” of the park owner’s property. This bill repeals the unconstitutional statutes, chapter 59.23 RCW, and adopts several provisions to encourage the purchase of manufactured/mobile home communities by their tenants, including a real estate excise tax (REET) exemption. Sales of manufactured/mobile home communities to a qualified tenant organization, local government, local housing authority, nonprofit community or neighborhood-based organization, Indian tribe, or regional or statewide nonprofit housing assistance organization are exempt from state and local REET. The exemption is valid for sales after the effective date of the bill until December 31, 2018.

**HB 2460 Leasehold excise tax exemption for amphitheater property
(Chapter 194, Laws of 2008)**

An exemption from leasehold excise tax was enacted in 2005 for public or entertainment areas of amphitheaters. The amphitheaters must meet certain qualifications, including being located in a county with total population over 350,000 but less than 425,000. Currently the exemption applies with respect to one amphitheater, which is located in Clark County. There is concern that the population of Clark County will soon exceed 425,000, effectively nullifying the exemption. This bill amends the exemption to specify that the county population had to be within the indicated range at the time the amphitheater first opened to the public.

**2SHB 3104 Rights and responsibilities of state-registered domestic partners
(Chapter 6, Laws of 2008)**

Second Substitute House Bill 3104 extends certain rights and responsibilities to state-registered domestic partners in various areas of law that are currently applicable to spouses, including dissolutions, community property, estate planning, taxes, court process, service to indigent veterans and other public assistance, conflicts of interest for public officials, and guardianships. State-registered domestic partners are to be treated the same as spouses under the senior citizen/disabled person exemption program and the property tax deferral programs.

**E2SHB 3186 Authorizing creation of beach management districts
(Chapter 301, Laws of 2008)**

Engrossed Second Substitute House Bill 3186 authorizes the creation of beach management districts, very similar to lake management districts. They are designed to give shoreline communities the ability to impose property taxes or assessments to raise the funds needed to deal with the uncontrolled growth of the aquatic plants like sea lettuce.

**SSB 5256 Excluding veterans’ benefits from the income calculation for certain
property tax relief programs (Chapter 182, Laws of 2008)**

This legislation redefines “disposable income” to exclude certain veteran’s benefits. Disposable income determines a taxpayer’s eligibility for several property tax relief programs. Under this act, disability compensation and dependency/indemnity compensation paid to veterans will no longer be counted against the disposable income limits when veterans apply for senior citizen/disabled person property tax exemption or apply for the property tax deferral programs.

The bill applies to property taxes due and payable beginning in calendar year 2009.

SSB 6389 **Property tax and leasehold excise tax exemptions for military housing
(Chapter 84, Laws of 2008)**

SSB 6389 provides that military housing and ancillary supporting facilities developed under the federal Military Housing Privatization Initiative are exempt from property tax leasehold excise tax. The property must be used for housing of military personnel and their families and be located on land owned by the United States. Initial application for qualification must be made to the Department of Revenue and any change in the use of the property must be reported to the Department of Revenue.

ESSB 6641 **Voter-approved property tax increases
(Chapter 319, Laws of 2008)**

ESSB 6641 revised and clarified the statutes regarding levy lidlifts. The measure provides that any single year or multi-year lid lift approved by voters is temporary unless the ballot proposition expressly states that the increase is permanent. After the lid lift period is over, subsequent levies are computed as if the lid lift had never occurred and the district had levied within the maximum rates allowed, unless the ballot proposition states otherwise.

SSB 6806 **Property and leasehold excise tax exemptions for anaerobic digesters
(Chapter 268, Laws of 2008)**

SSB 6806 adds anaerobic digesters to the existing property and leasehold tax exemptions for biofuel manufacturing facilities. Anaerobic digesters are devices that process manure into methane gas and dried solids. Sales of anaerobic digesters to be used on dairy farms were exempted from sales and use taxes in 2001. This legislation exempts anaerobic digesters from leasehold excise tax and property tax for a six-year period. The exemption begins with the assessment year following start-up of a qualifying facility, and the deadline to file claims for the tax exemptions is December 31, 2012.

SSB 6851 **Documentation required to claim the real estate excise tax exemption for
inherited property (Chapter 269, Laws of 2008)**

This legislation addresses the documentation required of individuals who inherit real property and claim an exemption from REET. This bill codifies in statute the documentation currently required in the Department's rule for claiming a REET exemption on transfers of real property by inheritance. It also allows a spouse or domestic partner who inherits a community property interest in real property to receive a REET exemption, even when there is no specific legal instrument that documents the individual's right to inherit, by furnishing a certified copy of the death certificate and a signed affidavit affirming that the surviving spouse or domestic partner is the sole and rightful heir to the property.