# Multiple Agency Fiscal Note Summary

| **Bill Number:** 5539 SB | **Title:** Tax increment financing |
|---|---|

## Estimated Cash Receipts

NONE

| 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 | 22,800 | 22,800 | 22,800 | .0 | 0 | 0 | 0 | .0 | 0 | 0 | 0 |
| **Total $** | **0.1** | **22,800** | **22,800** | **22,800** | **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:** Cheri Keller, OFM | **Phone:** (360) 584-2207 | **Date Published:** Final |
|---|---|---|

FNPID 66178

FNS029 Multi Agency rollup

# Department of Revenue Fiscal Note

| Bill Number: 5539 SB | Title: Tax increment financing | Agency: 140-Department of Revenue |
|---|---|---|

## Part I: Estimates

☐ **No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Expenditures from:**

| | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|---|---|---|---|---|---|
| FTE Staff Years | 0.2 | | 0.1 | | |
| **Account** | | | | | |
| GF-STATE-State 001-1 | 22,800 | | 22,800 | | |
| **Total $** | 22,800 | | 22,800 | | |

**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: | Clinton McCarthy | Phone: 360-786-7319 | Date: 01/23/2023 |
| Agency Preparation: | Frank Wilson | Phone: 360-534-1527 | Date: 01/30/2023 |
| Agency Approval: | Valerie Torres | Phone: 360-534-1521 | Date: 01/30/2023 |
| OFM Review: | Cheri Keller | Phone: (360) 584-2207 | Date: 01/30/2023 |

## 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:
Current law provides a mechanism for certain local governments to create "local tax increment financing" (LTIF) areas to fund public improvements within specific boundaries of a county.

The local government must adopt an ordinance designating a specific increment area within its boundaries and the public improvements that are to be financed. A local government designating a LTIF area may issue general obligation bonds to finance the public improvements within an increment area to be repaid through regular levies.

The revenue increase is based on an increase in assessed value within the LTIF area, beginning the year following the passage of the ordinance, and the regular property taxes, distributed and apportioned by the county treasurer to the local government with the LTIF. Generally, property tax levies apportioned are those subject to the constitutional 1% and $5.90 aggregate limitations. However, property taxes levied by a port district or public utility district for the purpose of bond payment and the state school levies are excluded from LTIF apportionment.

Each taxing district within the LTIF area continues to receive their portion of regular property tax on real property based on the assessed value for the year first designated.

The apportionment of increases in assessed valuation in an LTIF area cease when the local government certifies that allocation revenues are no longer needed to pay the public improvement costs.

The LTIF program also allows a taxing district located in an LTIF area to add to a levy's 1% growth limit any increase in assessed value for the LTIF area, like the new construction add-ons.

PROPOSAL:
The proposal makes revision to the LTIF program, as follows:
- Adds a definition of real property to also include privately owned improvements on publicly owned land, as part of the increment value of a designated LTIF area.
- Clarifies the definitions of public improvements and public improvement costs to include certain improvements, such as the cost of acquisition of real property and appurtenant rights.
- Makes technical revisions, including clarification of when increment areas go into effect, allocation of tax revenues, and notice requirements for the creation of a LTIF.
- Allows taxing districts located in an LTIF area to add to a levy's 1% growth limit any increase in assessed value for the LTIF area, like the new construction add-ons, when restoring, consolidating, or annexing a property tax levy.

EFFECTIVE DATE:
This bill contains an emergency clause and takes effect immediately upon the Governor's approval.

**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
This bill impacts the calculations for a LTIF area by including privately owned improvements on public land in the base value.

REVENUE ESTIMATES
This legislation results in no revenue impact to the state property tax levy.

This bill results in additional revenue for the city or county that created the LTIF. The amount of the additional funds is indeterminate as there is no way of knowing where LTIF areas will be created, if they will have privately owned improvements on public land, and what the value of those improvements will be.

**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.*

FIRST YEAR COSTS:
The department will incur total costs of $22,800 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 1.7 FTEs.
- Amend six administrative rules.

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 | 0.2 | | 0.1 | | |
| A-Salaries and Wages | 14,400 | | 14,400 | | |
| B-Employee Benefits | 4,700 | | 4,700 | | |
| E-Goods and Other Services | 2,500 | | 2,500 | | |
| J-Capital Outlays | 1,200 | | 1,200 | | |
| **Total $** | $22,800 | | $22,800 | | |

**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 | 126,619 | 0.0 | | 0.0 | | |
| MGMT ANALYST4 | 73,260 | 0.0 | | 0.0 | | |
| TAX POLICY SP 2 | 75,120 | 0.0 | | 0.0 | | |
| TAX POLICY SP 3 | 85,020 | 0.1 | | 0.1 | | |
| TAX POLICY SP 4 | 91,524 | 0.0 | | 0.0 | | |
| WMS BAND 3 | 107,685 | 0.0 | | 0.0 | | |
| **Total FTEs** | | 0.2 | | 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 the following rules:
WAC 458-19-025, titled: "Restoration of regular levy"
WAC 458-19-030, titled: "Levy limit-Consolidation of districts"
WAC 458-19-035, titled: "Levy limit-Annexation"
WAC 458-19-085, titled: "Refunds-Procedures-Applicable limits"
WAC 458-19-550, titled: "State levy-Apportionment between counties"
WAC 458-19-05001, titled: "Port district levies for industrial development district purposes"

Persons affected by this rulemaking would include certain tax increment finance areas.

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

| **Bill Number:** 5539 SB | **Title:** Tax increment financing |
|---|---|

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

### Legislation Impacts:

- [X] Cities: increase in property tax revenue for local tax increment financing areas
- [X] Counties: increase in property tax revenue for local tax increment financing areas
- [ ] Special Districts:
- [X] Specific jurisdictions only: jurisdictions with local tax increment financing areas
- [ ] Variance occurs due to:

## Part II: Estimates

- [ ] No fiscal impacts.
- [ ] Expenditures represent one-time costs:
- [ ] Legislation provides local option:
- [X] Key variables cannot be estimated with certainty at this time: which jurisdictions with local tax increment financing areas, value of improvements

**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: 01/31/2023 |
| Leg. Committee Contact: Clinton McCarthy | Phone: 360-786-7319 | Date: 01/23/2023 |
| Agency Approval: Allan Johnson | Phone: 360-725-5033 | Date: 01/31/2023 |
| OFM Review: Cheri Keller | Phone: (360) 584-2207 | Date: 01/31/2023 |

## Part IV: Analysis

### A. SUMMARY OF BILL

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

This bill makes revisions to the Local Tax Increment Financing (LTIF) program by:
- Defining the term real property as it relates to LTIF areas
- Making technical revisions, including clarification of when increment areas go into effect, allocation of tax revenues, and notice requirements for the creation of a LTIF
- Allowing taxing districts located in an LTIF area to add to a levy's 1% growth limit any increase in assessed value for the LTIF area, like the new construction add-ons, when restoring, consolidating, or annexing a property tax levy

### 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 no 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.*

This bill would make changes to the LTIF program that would allow cities or counties with local tax increment financing areas to collect additional property tax revenue. The impact is indeterminate.

According the the Department of Revenue (DOR) this bill impacts the calculations for a LTIF area by including privately owned improvements on public land in the base value. This bill results in additional revenue for the city or county that created the LTIF. The amount of the additional funds is indeterminate as there is no way of knowing where LTIF areas will be created, if they will have privately owned improvements on public land, and what the value of those improvements will be.

SOURCES:
Department of Revenue fiscal note, SB 5539 (2023)
Senate Bill Report, SB 5539, Business, Financial Services, Gaming & Trade Committee (1/30/2023)