JLARC will review a tax preference for rehabilitated historic properties

The 1985 Legislature enacted a special property tax valuation for eligible rehabilitated historic properties. Qualifying property owners may deduct rehabilitation costs from the taxable value of the property for 10 years, if the rehabilitation costs are at least 25% of the assessed value. The preference applies to both state and local property taxes.

The 2020 Legislature enacted two seven-year extensions of the special valuation. The extensions are only available in cities with populations under 20,000 in distressed areas (counties with unemployment levels at least 20% above the state average unemployment level for the prior three years).

This preference is included in the 10-year review schedule set by the Citizen Commission for Performance Measurement of Tax Preferences.

Stated intent is to encourage property owners to revitalize historic properties

In 2020 the Legislature stated the preference was intended to promote revitalization of historic properties. If a review finds that the number of taxpayers claiming the preference increases, the Legislature intends to extend the expiration date. The 2020 legislation closed the preference to new applicants on January 1, 2031, and set a January 1, 2057 expiration date.

This study will address the following questions:

1. To what extent has the preference been used statewide and in each county?
2. What types of buildings do beneficiaries rehabilitate with the preference? Are there benefits to the public?
3. What are the estimated beneficiary savings?
4. How do the costs of rehabilitating historic properties compare to the beneficiary savings? How much would property taxes have increased for rehabilitated properties without the preference?

Per RCW 44.28.076, JLARC staff will determine whether there are racial equity considerations directly related to the study mandate and scope. We will update this document once that process is complete.

Study timeframe

Preliminary Report: July 2023
Proposed Final Report: December 2023

Study team

Team Lead: Dana Lynn (360) 786-5177 dana.lynn@leg.wa.gov
Research Analyst: Ryan McCord (360) 786-5186 ryan.mccord@eg.wa.gov
Project Coordinator: Eric Thomas (360) 786-5182 eric.thomas@leg.wa.gov
Legislative Auditor: Keenan Konopaski (360) 786-5187 keenan.konopaski@leg.wa.gov

JLARC Study Process