

# Targeted Urban Area Exemption

## 2021 JLARC TAX PREFERENCE REVIEW

Estimated 2019-21 beneficiary savings: \$0

Property Tax

Cities may be ineligible to offer the preference.

Legislative action is needed if the Legislature wants to ensure the preference is available.

To date, local property tax exemption has not achieved objective to encourage new industrial development and create jobs

The 2015 Legislature authorized a 10-year local property tax exemption for new industrial development in targeted areas. The preferences **closes to new participants on December 31, 2022.**

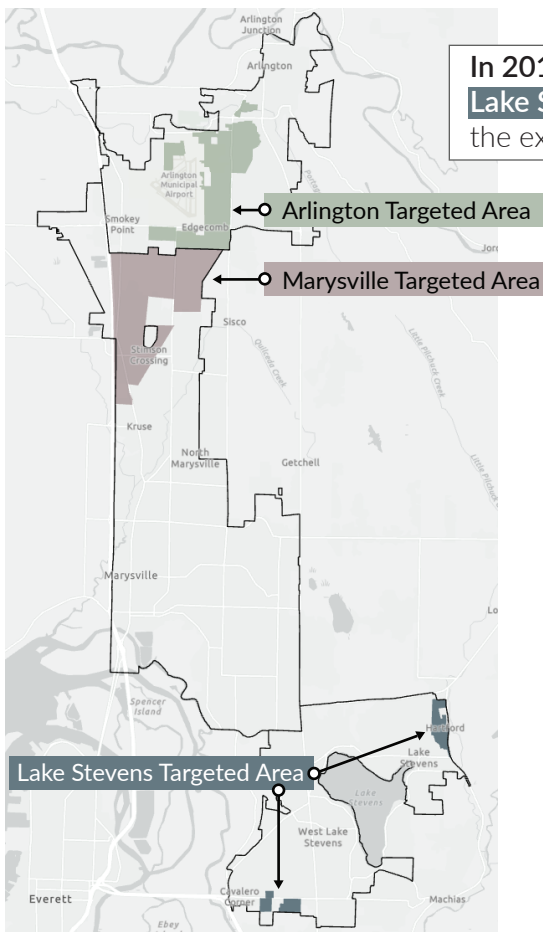
The legislation authorizing the preference limits its availability to cities that:

Are located in a county with a population between 700,000 and 800,000.

Have a population of at least 18,000.

Are located north or east of the largest city in the county.

Statute requires new developments meet size, minimum investment, and job creation conditions.



In 2015, the Snohomish County cities of **Arlington**, **Marysville**, and **Lake Stevens** met these criteria. The cities enacted ordinances providing the exemption by 2016.

**No businesses applied to use the preference before 2018, when Snohomish County's population exceeded 800,000**

The Department of Revenue (DOR) determined that **Arlington**, **Marysville**, and **Lake Stevens** have been ineligible to offer the preference since 2018. DOR also determined no city currently qualifies to offer the preference.

**DOR and cities disagree about eligibility to offer preference**

Although DOR states no cities are eligible to offer the preference, all three cities' codes allow the preference.

The cities reported to JLARC staff that they interpret the statute to allow them to offer the preference through December 31, 2022, regardless of population changes.

## LEGISLATIVE AUDITOR'S RECOMMENDATION

### *Review and consider whether to extend*

If the Legislature wants the preference to be available for future use, it should modify the preference's population criteria and determine an expiration date for new participants.

The Department of Revenue and the cities disagree about the cities' eligibility to offer the preference.

The complete report is on the JLARC web site: [www.leg.wa.gov/jlarc](http://www.leg.wa.gov/jlarc)

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