

HB 2939

Bill Analysis

February 5, 1998

Brief Description: Reducing the inflationary adjustment for the state property tax levy to zero over time.

Bill Sponsors: Representatives Carrell, B. Thomas, Ballasiotes, Thompson, Boldt, DeBolt, Robertson, Pennington, Van Luven, K. Schmidt, Mielke, Mitchell, Lisk, Smith, McMorris, L. Thomas, Mastin, Sheahan, Skinner, Hankins, Mulliken, Delvin, Sehlin, Zellinsky, Chandler, Hickel, Radcliff, Honeyford, Clements, Carlson, Reams, Cooke, Crouse, McDonald, Talcott, Dyer, Cairnes, Benson, Backlund and Bush.

Staff: Rick Peterson, 786-7150.

Background: The state annually levies a statewide property tax. The state property tax is limited to a rate no greater than \$3.60 per \$1,000 of market value. The state property tax is also limited by the inflationary limit (Referendum 47). This limit requires reduction of property tax rates as necessary to limit the total amount of property taxes received by a taxing district. The limit for each year is the sum of (a) 100 percent plus a growth factor times the highest amount of property taxes levied in the three most recent years, plus (b) an amount equal to last year's levy rate multiplied by the value of new construction. The growth factor is the lessor of inflation, as measured by the implicit price deflator for personal consumption, or 6 percent. This growth factor was 1.9% for the 1998 state property tax.

Summary of Bill: The inflation factor for the state property tax is reduced to zero over ten years as follows:

<u>Year</u>	<u>Inflation Factor</u>
1999	90% of the implicit price deflator
2000	80% of the implicit price deflator
2001	70% of the implicit price deflator
2002	60% of the implicit price deflator
2003	50% of the implicit price deflator
2004	40% of the implicit price deflator
2005	30% of the implicit price deflator
2006	20% of the implicit price deflator
2007	10% of the implicit price deflator

2008 0% of the implicit price deflator.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which the bill in passed.