

SENATE BILL REPORT

SB 5836

As Reported By Senate Committee On:
Government Operations & Elections, February 27, 2007

Title: An act relating to the timing of accrual of property tax revenues.

Brief Description: Addressing the timing of accrual of property tax revenues.

Sponsors: Senators Fairley, Roach, Kline and Pridemore.

Brief History:

Committee Activity: Government Operations & Elections: 2/22/07, 2/27/07 [DPS-WM].

SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

Majority Report: That Substitute Senate Bill No. 5836 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Fairley, Chair; Oemig, Vice Chair; Roach, Ranking Minority Member; Benton, Kline, Pridemore and Swecker.

Staff: Mac Nicholson (786-7445)

Background: Cities are the primary provider of services, including fire protection and library services, to residents within the boundaries of the city. Counties are the primary provider for residents outside of the incorporated areas of the city. Cities and counties levy a general property tax in order to provide services.

Cities and counties may also annex into special purpose districts, which provide specific services including fire protection and library services. When territory within a city is included in a fire protection or library district, and the district levies a property tax, the property tax levied by the city is reduced by the amount levied by the fire protection or library district.

With certain exceptions, the official boundaries of counties, cities, and all other taxing districts, for the purposes of property taxation, are established on the first day of March of the year in which the property tax levy is made. The boundaries of a fire protection or library district that include any territory that was annexed to a city are changed as of June 1.

Property tax is calculated on a calendar year basis and is generally due in April following the year in which the levy was made. Consequently, when territory is annexed into a city from a fire protection or library district, the property tax due on the annexed territory will not change until new tax calculations are made based on the city's levy at the beginning of the calendar year following the annexation. If the annexation occurs after June 1, the property tax due will

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not be based on the city's levy until the start of the second calendar year following the annexation. The effect of the annexation is that for a period of time, the annexed property will be receiving services from the city while paying property taxes to the fire protection or library district.

Summary of Bill: When territory that is part of a fire or library district is annexed to a city or town, any taxes on annexed property that were levied, but not collected, must be paid to the annexing city or town when collected at times required by the county, but no less frequently than June 30 and December 30 following the annexation. If the taxes on annexed property were delinquent at the time of annexation, the taxes must be paid to the fire or library district when collected.

If the property annexed by the city or town was in a fire or library district while there was an outstanding nonvoter-approved general obligation bond, the bonded indebtedness of the fire or library district remains an obligation of the taxable property annexed to the city or town.

Cities or towns annexing fire or library district property must notify the district of the annexation. The provisions of the bill do not apply if the city has been annexed to a fire or library district and the city is seeking to annex unincorporated county territory.

The date that official boundaries are established for counties, cities, and other taxing districts is changed from the first day of March to the first day of August.

EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Government Operations & Elections): Dates regarding when the county is to collect and distribute the property taxes on annexed territory are clarified. If a city annexes property within a fire or library district while any general obligation bond is outstanding, the bonded indebtedness of the district remains an obligation of the annexed property.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: When cities annex property, the property tax doesn't come to the city as quickly as the responsibilities do. The bill is technical in nature and facilitates the revenue exchange between the fire or library district and the city. The bill simply expedites the revenue transition to jurisdictions that provide the services.

OTHER: There are some last minute concerns that the assessors and treasurers would like to work on in order to make the bill work administratively.

Persons Testifying: PRO: Senator Fairley, prime sponsor; Dave Williams, Association of Washington Cities; Doug Levy, City of Renton.

OTHER: Robert Carlton, Washington Association of County Officials; Christina Bridson, Washington State Association of County Treasurers.