

HOUSE BILL REPORT

HB 1730

As Reported By House Committee On:
Local Government

Title: An act relating to the distribution of unused capacity under the rate limitations on cumulative regular property taxes.

Brief Description: Regulating the distribution of unused capacity under the rate limitations on cumulative regular property taxes.

Sponsors: Representatives Springer, Orr, Morris, H. Myers, Sheldon and Romero.

Brief History:

Reported by House Committee on:
Local Government, February 23, 1993, DP.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass. Signed by 8 members:
Representatives H. Myers, Chair; Bray, Vice Chair; Dunshee;
R. Fisher; Rayburn; Romero; Springer; and Zellinsky.

Minority Report: Do not pass. Signed by 3 members:
Representatives Edmondson, Ranking Minority Member; Horn;
and Van Luven.

Staff: Steve Lundin (786-7127).

Background:

1. Regular and excess levies.

Article VII, Section 2, of the state constitution, limits the cumulative rate of regular property taxes that may be imposed on any property in any year to an amount not exceeding 1 percent of the true and fair value of the property. Excess property tax levies may be imposed above the 1 percent limitation.

The limitation on the cumulative rate of regular property taxes is restricted even further by statute:

- o The state is authorized to impose regular property taxes to fund K-12 education at a rate not exceeding \$3.60 per

\$1,000 of assessed valuation at the state equalized value;

- o The cumulative rate of regular property taxes imposed by other taxing districts, including counties, cities, road districts, and junior taxing districts, may not exceed \$5.90 per \$1,000 of assessed valuation;
- o Two other regular property tax levies are not subject to these statutory cumulative rate limitations, one of up to 50 cents per \$1,000 of assessed valuation for emergency medical service purposes may be imposed by a number of different taxing districts and the other of up to 6.25 cents per \$1,000 of assessed valuation may be imposed by counties to acquire conservation futures.

The state, counties, cities, towns, and road districts are referred to as the senior taxing districts. All other taxing districts that impose regular property taxes are referred to as junior taxing districts.

2. Prorating of regular property tax levies.

Where the cumulative rate of regular property tax levies imposed on any property by senior taxing districts other than the state, and junior taxing districts exceeds \$5.90 per \$1,000 of assessed valuation, state law provides for prorating, or reducing, regular property tax levies of junior taxing districts within the cumulative rate limitation.

Different status levels are provided for junior taxing districts. When levy prorating is necessary, the regular property tax levies of the lowest status junior taxing districts are reduced or eliminated to keep the cumulative rate within the \$5.90 limitation. If necessary, the levies of the next lowest status level of junior taxing districts are reduced or eliminated to keep the cumulative rate within the \$5.90 limitation.

Summary of Bill: The prorating, or reduction, of junior taxing district levies is altered to potentially increase the amount of cumulative capacity of regular property taxes that may be imposed before levies are prorated.

Any regular taxing capacity that the state is authorized to use, but which it is not using, may be used by junior taxing districts before the prorating of their regular property tax levies occurs. However, the amount of additional capacity that may be used is the unused rate of the state levy as calculated on the basis of the state's equalized

value, but applied to the assessed valuation as determined by the county assessor.

Fiscal Note: Not requested.

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

Testimony For: This opens up capacity for junior taxing districts to avoid levy prorationing.

Testimony Against: None.

Witnesses: (Pro): Representative Springer, prime sponsor

(Signed up in favor, but did not wish to testify): Otto Jensen, State Fire Chiefs Association; Pete Spiller, Washington Fire Commissioners Association; Greg Vigdor, Washington Hospital Association; and Main, King County; George Walk, Pierce County.