

VETO MESSAGE ON HB 1957

June 16, 1995

To the Honorable Speaker and Members,

The House of Representatives of the State of Washington
Ladies and Gentlemen:

I am returning herewith, without my approval, Engrossed Substitute House Bill No. 1957 entitled:

"AN ACT Relating to reducing the state property tax levy for 1996 and thereafter;"

Engrossed Substitute House Bill No. 1957 reduces the 1996 state property tax by five percent. The state school levy calculations in future years would be based on the reduced levy amount, making this a permanent property tax reduction.

The existing property taxation system puts an unfair tax burden on many citizens. Taxation of property has historically been a tax upon wealth, but increasingly, ownership of a home or other property is not necessarily an indication of ability to pay taxes. In some instances, as property values rise, and equity in a home increases, the ability of taxpayers to gain access to the funds needed to pay their property taxes means borrowing against or even selling their homes.

Although some type of property tax relief is clearly necessary, this bill would reduce the property taxes for the owner of a \$100,000 home by only \$18 annually. That amount simply does not represent substantial property tax relief and does not solve the real problems inherent in our current property tax system.

In addition, this bill would have a sizable impact on the general fund, decreasing revenues by \$92 million during the 1995-1997 biennium, and by \$136 million in 1997-99. Given the fact that this bill offers very little tangible property tax relief to homeowners while significantly reducing overall state revenues, I believe the state simply cannot afford such a reduction.

The June 15 announcement of a \$181 million reduction in the revenue forecast, due in part to announcements of further Boeing and Hanford layoffs and the slowing of the national economy, means the revenue assumptions made by the legislature in its budget are no longer valid, and the level of budget reserves proposed is no longer available.

It is vitally important for Washington to maintain a prudent budget reserve capable of allowing the state to operate through both good and bad economic times without resorting to tax increases or drastic program cuts. One of the primary features of Initiative 601 is the requirement to build reserves when the economy is strong, so they are available when the economy slows.

With the very real likelihood of significant federal costs being shifted to the states in an effort to balance the federal budget, the basic uncertainty over the future of the economy as expressed by the Governor's Council of Economic Advisors, and the ever-present possibility of unexpected costs, it is especially important today that Washington has a strong budget reserve.

In addition, in order to adequately and effectively address the issues related to property taxation, I am setting up a task force comprised of legislators, assessors, Department of Revenue staff, and representatives of business, homeowners and the general

public, who will be charged with the responsibility of developing viable short and long-term solutions to the very real problem of property taxation in Washington State.

For these reasons, I am vetoing Engrossed Substitute House Bill No. 1957 in its entirety.

Respectfully submitted,
Mike Lowry
Governor