

# HOUSE BILL REPORT

## HB 1037

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### As Reported By House Committee On:

Finance

**Title:** An act relating to making the 4.7187% state property tax levy reduction permanent.

**Brief Description:** Making the 4.7187% state property tax reduction permanent.

**Sponsors:** Representatives B. Thomas, Mulliken, Honeyford, Johnson, Mastin, Thompson, McMorris, Koster, DeBolt, Carlson, Boldt, Hickel, Alexander, Lambert, Buck, Schoesler, Sterk, Mitchell, D. Schmidt, Wensman, Sherstad, Carrell, Sheldon, Linville, Huff, Cooke, Bush, Smith, Dunn, Dyer, Van Luven, Mielke, Chandler, Cairnes, Talcott, Robertson and Backlund.

### Brief History:

#### Committee Activity:

Finance: 1/13/97 [DP].

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 9 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Boldt; Kastama; Pennington; Schoesler; Thompson and Van Luven.

**Minority Report:** Do not pass. Signed by 5 members: Representatives Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Butler; Mason and Morris.

**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 106 percent levy limit. The 106 percent levy 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) 106 percent of 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 state property tax for collection in 1996 was reduced 4.7187 percent by legislation enacted during the 1995 session. This reduction affected only the 1996 levy. Therefore, for purposes of the 106 percent limit, state levies after 1996 will be set at the amount that would otherwise be allowed as if the reduction in 1996 had never occurred.

**Summary of Bill:** The state property tax for collection in 1997 is reduced by 4.7187 percent. The reduced 1997 levy will be used for future state levy calculations under the 106 percent levy limit.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** The one-time 1996 state property tax cut needs to be extended to prevent a significant increase in the state property tax in 1997. The tax cut needs to be adopted soon in order to be reflected in 1997 property tax bills. This is a first step in reducing the state property tax. Over time the state property tax should be eliminated.

**Testimony Against:** This bill does not provide significant property tax relief for working families. Eighteen dollars is not enough tax relief for homeowners. Tax cuts in 1995 and 1996 were almost entirely for businesses. An alternative tax relief plan targeted to homeowners, like a homestead property tax exemption, should be adopted. Initiative 601 places money into a new school construction fund once the emergency reserve fund reaches 5 percent of the budget, tax cuts will make it difficult for this to happen. These school construction funds would reduce property taxes in the property poor areas of the state.

**Testified:** Pro: Tamara Warnke, Public School Employees; Rose Bowman, Washington State County Treasurers; Fred Saeger, Washington Association of County Officials; Larry Swift, Washington State School Directors Association; Evalyn Poff, N.E. Neighborhood Association; and Lynn Horton, city of Bremerton. Con: Dan Caldwell, citizen; Robby Stern, Washington State Labor Council; Rod Regan, Washington Education Association; and Rachael Myers, Washington Citizens Action Committee. Others: George Tyler, citizen; and Barbara Mertens, Washington State School Administrators.