HB 1268
Bill Analysis

January 23, 1997

Brief Description: Limiting growth in property tax levies for all districts to the lesser of inflation or six percent.

Staff: Rick Peterson (786-7150)

Background: All real and personal property in this state is subject to property tax each year based on its value unless a specific exemption is provided by law. The tax bill is determined by multiplying the assessed value by the tax rate for each taxing district in which the property is located.

The sum of property tax rates is limited by the state constitution to a maximum of 1.0 percent of true and fair value, or $10 per $1,000 of value. The constitution provides a procedure for voter approval for tax rates that exceed the 1 percent limit. These taxes are called "excess" levies. Taxes imposed under the 1 percent limit are termed "regular" taxes. Regular taxes do not require voter approval.

In 1971, the Legislature imposed a statutory lid on regular property tax increases. Regular taxes subject to the limit include the state, counties, cities, port districts, fire protection districts, library districts, metropolitan park districts, public hospital districts, and others. 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 tax rate multiplied by the value of new construction.

There are some exceptions and adjustments allowed to the limit. The limit may be raised by a majority vote within the district.

The 106 percent limit does not apply to voter approved excess levies such as local school M&O levies and levies to retire bond issues. The 106 percent limit does not limit an individual taxpayer's property taxes to 6 percent growth per year or limit an individual taxpayer's assessed value to 6 percent growth per year.

Summary: The 106 percent limit is changed to the lesser of (a) 106 percent or (b) 100

P.O.Box 40600
Olympia WA 98504-0600
Phone 360-786-7100

percent plus inflation. Inflation is measured by the percentage change in the implicit price deflator (IPD) for personal consumption expenditures for the United States, as published by federal Department of Commerce. The percent change in the IPD is determined in September for the most recent 12 months. This factor is applied to the taxes to be collected in the following year. The change is first effective for 1998 property taxes.

Fiscal Note: Available

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