

SENATE BILL REPORT

HB 1037

As of January 20, 1997

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: Boosted 1/20/97.

Staff: Terry Wilson (786-7433)

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 one-time 4.7187 percent reduction of the 1996 state property tax is made permanent. Therefore, it becomes a part of the base for calculation of the 106 percent limit for taxes collected in 1997 and thereafter.

Appropriation: None.

Fiscal Note: Available.

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