

SENATE BILL REPORT

ESB 5378

As of Second Reading, January 24, 1997

Title: An act relating to extending the 4.7187 percent state property tax levy reduction.

Brief Description: Extending the 4.7187 percent state property tax levy reduction.

Sponsors: Senators Loveland, Sheldon, Snyder, Patterson, Kline, Heavey, Goings, Haugen, Franklin, Jacobsen, Brown, Rasmussen, Panel; by request of Governor Locke.

Brief History:

Committee Activity:

Staff: Terry Wilson (786-7433)

Background: Annually the state levies a tax on the value of property. The rate of the state tax is limited to \$3.60 per \$1,000 of market value. In addition, the amount of taxes collected is limited by the 106 percent levy lid. Under this lid, regular property taxes levied by a taxing district may not exceed 106 percent of the taxes levied by the district in the highest of the preceding three years. Added to this amount is the previous year's tax rate multiplied by the assessed value in the district that results from new construction and improvements to property in the previous year and any increase in the value of state-assessed property.

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 extended to 1997. In addition, a 4.7187 percent reduction in 1998 and thereafter is referred to the voters. The 1998 reduction is used in calculating the 106 percent limit in 1999 and thereafter. Therefore, the 1998 reduction is a permanent reduction in the state property tax.

Appropriation: None.

Fiscal Note: Requested on January 24, 1997.

Effective Date: The bill has several effective dates. Please refer to the bill.