

# HOUSE BILL REPORT

## SSB 5495

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### As Reported By House Committee On:

Finance

**Title:** An act relating to regular property tax levies.

**Brief Description:** Modifying a restriction on regular property tax levies.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Snyder and Zarelli).

### Brief History:

#### Committee Activity:

Finance: 3/30/99, 4/5/99 [DP].

#### Brief Summary of Substitute Bill

- Allows a property taxing district that has not imposed a tax since 1985 to retain their levy capacity.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 11 members: Representatives Dunshee, Democratic Co-Chair; Thomas, Republican Co-Chair; Reardon, Democratic Vice Chair; Cairnes; Conway; Cox; Dickerson; Pennington; Santos; Van Luven and Veloria.

**Minority Report:** Do not pass. Signed by 1 member: Representative Carrell, Republican Vice Chair.

**Staff:** Rick Peterson (786-7150).

### Background:

In 1971, the Legislature limited a taxing district's property tax levy beginning in 1973 to a 6 percent increase over its highest levy in the preceding three years, plus an amount equal to the tax on new construction occurring in the previous year. As originally enacted, a taxing district that had not levied in the previous three years

would not be able to levy a tax in subsequent years. In 1979, the Legislature provided that a taxing district that had not levied in the preceding three years that elected to restore its levy could use the amount that could have been levied in 1973, plus an amount equal to the tax on new construction occurring since 1973.

In the early 1980s, because of this revenue limitation, taxing districts were maintaining high levies to protect their future levy capacity. To remove the incentive to maintain a high levy and to protect future levy capacity, in 1986 the Legislature allowed a taxing district's levy to be based on the district's maximum allowable levy since 1986 rather than on its actual levy. However, a taxing district that has levied since 1985 but that has not levied in the three most recent years loses the levy capacity protection and must use the 1973 value.

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**Summary of Bill:**

A taxing district that has levied since 1985 but that has not levied in the three most recent years does not lose its levy capacity protection. For a taxing district that has not levied since 1985 that elects to restore its levies, the restored levy is limited to the taxing district's last levy instead of the amount it could have levied in 1973, plus an amount equal to the tax on new construction occurring since the last levy.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** The Port of Kalama does not impose a property tax but an old law forced the district to impose a 1 cent property tax to avoid having their property tax rebased to 1973 levels. This bill will eliminate the need for the district to impose a tax to protect the district's levy capacity.

**Testimony Against:** None.

**Testified:** Representative Pennington; and Lanny Cawley and Fred Swanstrom, Port of Kalama.