

SENATE BILL REPORT

SB 5495

As Reported By Senate Committee On:
Ways & Means, February 15, 1999

Title: An act relating to regular property tax levies.

Brief Description: Repealing a restriction on regular property tax levies.

Sponsors: Senators Snyder and Zarelli.

Brief History:

Committee Activity: Ways & Means: 2/3/99, 2/15/99 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5495 be substituted therefor, and the substitute bill do pass.

Signed by Senators Loveland, Chair; Brown, Vice Chair; Fairley, Fraser, Kohl-Welles, Long, McDonald, B. Sheldon, Snyder, Spanel, Winsley and Wojahn.

Staff: Terry Wilson (786-7433)

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 As originally enacted, a taxing district that had not levied in the previous three years would not be able to levy a tax in subsequent years.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 1980's, 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.

Summary of Substitute 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.

Substitute Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The Port of Kalama chose not to levy because the community is rural and distressed. The district's mission is to promote economic development, not to burden people with taxes. This maintains the incentive not to levy, and when the district does levy, the taxable assessed value base will be higher and result in a lower tax rate.

Testimony Against: None.

Testified: PRO: Lanny Cawley, Fred Swanstrom, Port of Kalama.