
Finance Committee

HB 2856

Brief Description: Adjusting property tax rates for senior taxing districts.

Sponsors: Representatives McIntire, Veloria and Kenney.

Brief Summary of Bill

- Permits cities and unincorporated service areas to impose an additional regular property tax of \$0.30 per \$1,000 of value with voter approval.
- Reduces the maximum state property rate from \$3.60 to \$3.30 per \$1,000 of value.

Hearing Date: 2/11/02

Staff: Rick Peterson (786-7150).

Background:

All real and personal property in this state is subject to the 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 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. The most common excess levies are maintenance and operation levies for school districts and bond retirement levies. Excess levies must obtain a 60 percent majority vote plus meet a minimum voter turnout requirement.

Taxes imposed under the 1 percent limit are called regular taxes. The constitution does not require voter approval of regular taxes. However, some regular taxes are required by statute to be voter approved. For example, emergency medical service taxes, park and recreation district taxes and taxes for affordable housing are regular taxes, that have voter approval requirements.

A statutory system of dollar rate limits for each tax district implements the constitutional 1

percent limit. The state tax rate is limited to \$3.60 per \$1,000 of value, county general taxes are limited to \$1.80 per \$1,000 of value, county road taxes are limited to \$2.25 per \$1,000 of value, and city taxes are limited to \$3.375 per \$1,000 of value. These districts are known as senior districts. Junior districts such as fire, library, and hospital districts each have specific rate limits as well. For example, fire protection districts are allowed \$1.50 per \$1,000 of value if they have at least one full time paid employee, \$1.00 per \$1,000 of value otherwise. In addition, there is an overall rate limit of \$5.90 per \$1,000 of value for most local taxing districts.

A complex system exists that prorates district tax rates so the total rate for regular taxes does not exceed one percent of value. The state property tax has the highest priority under this system. Local junior taxing districts are the first to be reduced followed by local senior districts.

Summary of Bill:

With majority voter approval a county legislative authority may create a service district within the unincorporated area of the county. The service district may ask voters to approve, with a majority vote, a regular property tax with a rate up to \$0.30 per \$1,000 of value. Cities or towns may increase their property tax by \$0.30 per \$1,000 of value with majority voter approval. These additional levies are reduced first if they cause the total tax rate to exceed the one percent constitutional rate limit.

The maximum state property tax rate is reduced from \$3.60 to \$3.30 per \$1,000 of value.

Appropriation: None.

Fiscal Note: Available.

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