

# HOUSE BILL REPORT

## HB 1446

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**As Reported by House Committee On:**  
Finance

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

**Brief Description:** Modifying requirements for voter-approved property tax levies.

**Sponsors:** Representatives Hunter, Jarrett, Simpson, Tom, Kirby, Lantz, Conway, Kessler, P. Sullivan, McIntire and Clibborn.

**Brief History:**

**Committee Activity:**

Finance: 2/8/05, 3/7/05 [DP].

**Brief Summary of Bill**

- Allows all taxing districts to ask voters to approve a lid lift which sets the growth rate for the property tax revenue limit calculation for up to six years.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 5 members: Representatives McIntire, Chair; Hunter, Vice Chair; Conway, Hasegawa and Santos.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Orcutt, Ranking Minority Member; Roach, Assistant Ranking Minority Member; Ahern and Ericksen.

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

**Background:**

Property taxes are imposed by state and local governments. The county assessor determines assessed value for each property. The county assessor also calculates the tax rate necessary to raise the correct amount of property taxes for each taxing district. The assessor calculates the rate so the individual district rate limit, the district revenue limit, and the aggregate rate limits are all satisfied. The property tax bill for an individual property is determined by multiplying the assessed value of the property by the tax rate for each taxing district in which the property is located. The assessor delivers the county tax roll to the county treasurer. The county treasurer collects property taxes based on the tax roll starting February 15 each year.

The annual increase in district property taxes is restricted by the property tax revenue limit. This limit requires the district's tax rate to be reduced as necessary to limit the total amount of

property taxes to the highest property tax amount in the three most recent years, plus 1 percent, plus an amount equal to last year's tax rate multiplied by the value of new construction in the district. This limit acts to reduce district rates below the maximum rate allowed for the district.

The district's revenue limit may be exceeded upon the majority vote of the people. This exception to the limit is called a "lid lift." Voters may approve a permanent lid lift, a lid lift for a period of years, limit the purpose of the lid lift, or set the rate at less than the maximum allowed. Generally, the 1 percent revenue limit applies again in the year following the lid lift. However, counties and cities may request a six year lid lift that provides for a different growth factor. The growth factor may be fixed, variable, or linked to an index, such as the consumer price index.

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**Summary of Bill:**

The authority gives counties and cities to ask voters to approve a lid lift which sets the growth rate for the property tax revenue limit calculation for up to six years is extended to all other taxing districts.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** The goal of this bill is to provide the smaller jurisdictions like library districts and hospital districts the same rules regarding lid lifts as allowed now for cities and counties. These rules should be consistent across all the districts. This will provide funding stability. It is more efficient to be able to index to a higher growth rate so the district doesn't have to go back to the voters. The bill allows districts to manage in the way that taxpayers insist the district be managed. This is consistent with the Initiative-747 allowance for voter approval of lid lifts.

**Testimony Against:** Currently when lid lifts are instituted the 1 percent cap still applies after the lid lift. If all districts used this new authority, then it could cause a prorated reduction in rates when the maximum allowed rate is reached. Districts that approved lid lifts may not get all the revenue they were planning on. It is difficult to look ahead six years.

**Persons Testifying:** (In support) Representative Hunter, prime sponsor; Steve Duncan, Washington Library Association; Bill Procek, King County Library Districts; and Ryan Spiller, Washington Fire Commissioners Association.

(Opposed) Tom McBride, Association of Washington Business.

**Persons Signed In To Testify But Not Testifying: None.**