

HOUSE BILL REPORT

HB 1465

As Reported by House Committee On:
Finance

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

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

Sponsors: Representatives Conway, Jarrett, Kirby, Uptegrove, Haler, Hankins, Flannigan and McIntire.

Brief History:

Committee Activity:

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

Brief Summary of Bill

- Allows the six-year property tax lid lift for counties and cities to be voted on at any election.
- Deletes the requirement that the new levy money from the six-year lid lift not supplant existing funds used for the same purpose.

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 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. The election for this lid lift must occur at the general or primary election. The ballot measure must state the purpose of the levy. The additional revenue must not supplant existing funds used for that purpose.

Summary of Bill:

The six-year lid lift for counties and cities may be voted on at any election. The requirement that the new levy money not supplant existing funds used for the same purpose is deleted

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 cities need this legislation to have more voter approved financing arrangements. They are facing revenue shortfalls and are shutting libraries and cutting back on other critical needs. The September and November elections are very late in the budget development process for cities. The elections in February, March, April, and May give cities a better chance to explain the measure to voters on a less crowded ballot. The current requirement not to supplant other funding is difficult to manage when funding may be from one-time sources, such as a federal cops grant or a contract with another jurisdiction that is about to end. Removing this language will allow jurisdiction to set priorities. These restrictions are not necessary because local officials are accountable to the same voters that approved the lid lift.

Testimony Against: We are concerned that allowing elections at other than the primary and general election will reduce voter participation in these issues. We do not support elimination of no supplanting of funds language.

Persons Testifying: (In support) Representative Conway, prime sponsor; and Stan Finkelstein, Association of Washington Cities.

(Opposed) Tom McBride, Association of Washington Business.

Persons Signed In To Testify But Not Testifying: None.