

HOUSE BILL REPORT

2SSB 5333

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 regular property tax levies.

Sponsors: Senate Committee on Government Operations & Elections (originally sponsored by Senators Regala, Esser, Prentice, Hewitt, Pridemore and McCaslin).

Brief History:

Committee Activity:

Finance: 2/20/06, 2/23/06 [DPA].

**Brief Summary of Second Substitute Bill
(As Amended by House Committee)**

- 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.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass as amended. Signed by 6 members: Representatives McIntire, Chair; Hunter, Vice Chair; Conway, Ericks, Hasegawa and Santos.

Minority Report: Do not pass. Signed by 5 members: Representatives Orcutt, Ranking Minority Member; Roach, Assistant Ranking Minority Member; Ahern, Condotta and Shabro.

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. The vote for this lid lift must occur at the primary or general election. Funds raised under this levy cannot supplant existing funds for the same purpose.

Summary of Amended Bill:

The authority given 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. There is no longer a requirement that the funds raised do not supplant existing funds for the same purpose.

Amended Bill Compared to Second Substitute Bill:

The amendment makes technical corrections that make the relocation of bill language consistent.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This bill gives other taxing districts the same authority that cities and counties already have. We need to spend money on the services that people want, not on elections. The citizens are still in the drivers seat. The districts must fully state the proposal and the citizens must approve it. In order to keep the property tax levy up under the current system, we have to go out every year for a vote. The Timberland Library District is in five counties; election costs are \$200,000 to \$300,000 per election. Fire districts throughout Washington cannot live within the 1 percent lid. The costs of providing service rises by more than 1 percent per year. The South King County Fire District has gone out for a lid lift for 5 years. Election costs were \$405,000. Our citizens are asking why do we have to vote every year. This is not a blank check. The fire districts must sit down with the taxpayers and develop a plan.

Testimony Against: We agree that it is not cost effective to run levies every year. Please add a requirement that the ballot measure include the dollar amount of the levy, the dollar rate, and the IPD for the first year only.

Persons Testifying: (In support) Senator Regala, prime sponsor; Jodi Reng, Timberland Regional Library; Al Church, State Fire Chiefs and South King County Fire & Rescue; and Ryan Spiller, Washington Fire Commissioners.

(Opposed) Robert Carlton, Washington State Association of County Assessors.

Persons Signed In To Testify But Not Testifying: None.