

# HOUSE BILL REPORT

## HB 2492

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**As Passed House:**  
February 13, 2008

**Title:** An act relating to the date for establishing school district boundaries for excess property tax levies.

**Brief Description:** Modifying the date for establishing school district boundaries for excess property tax levies.

**Sponsors:** By Representatives Takko, Blake, McIntire, Haigh and Orcutt.

**Brief History:**

**Committee Activity:**

Local Government: 1/24/08 [DP].

**Floor Activity:**

Passed House: 2/13/08, 72-25.

**Brief Summary of Bill**

- Changes the date for the determination of the boundary of a school taxing district from June 1 to September 1 in determining district tax levies in cases where a school district is dissolved and merged with another.

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### HOUSE COMMITTEE ON LOCAL GOVERNMENT

**Majority Report:** Do pass. Signed by 7 members: Representatives Simpson, Chair; Takko, Vice Chair; Warnick, Ranking Minority Member; Schindler, Assistant Ranking Minority Member; Eddy, Nelson and Schmick.

**Staff:** Thamas Osborn (786-7129).

**Background:**

**Determination of the Boundaries of Taxing Districts for Property Tax Levy Purposes**

Property taxes are levied in one year and collected in the following year. For the purposes of levying property taxes, the general rule is that the boundaries of counties, cities, and all other taxing districts are those existing as of the *first day of August* of the year in which the property

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tax levy is made. Property tax levies based on district boundaries existing as of August 1 of a given year are then subject to collection the following year. If a district boundary is changed after this deadline, i.e., after August 1 of a given year, then the tax may only be collected in the second calendar year following the boundary change. This rule is applicable with respect to the taxation of school districts, but is subject to several explicit statutory exceptions.

**Exception to the August 1 Tax District Boundary Determination Date**

One exception to the rule is triggered when one taxing district is dissolved and completely absorbed or merged within the boundary of another district after March 1 of a given year. In such cases, the boundaries of the taxing district are established as of *June 1* of that year for the purpose of collecting taxes in the following year.

**Property Tax Consequences Resulting from the Dissolution of a School District**

In an opinion issued in November 2007, the Office of the Attorney General determined that when a school district is dissolved and its territory transferred to a neighboring district, state law permits, but does not require, the territory of the dissolved district to be made subject to any excess tax levies of the receiving district that were authorized prior to the effective date of the transfer. If the property of the dissolved district is made subject to the receiving district's excess tax levy assessments, then the determination of which tax year those assessments begin depends upon the effective date of the transfer of territory from one school district to the other. If the transfer of territory is effective on or before June 1 of a given year, then the territory of the dissolved district is subject to the excess levy of the receiving district in that year for the purposes of levying property taxes for collection the following year. However, if the transfer of territory takes place after the June 1 deadline, then the property taxes may only be collected in the second calendar year following the date of transfer.

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**Summary of Bill:**

With respect to a school district that is dissolved and completely absorbed or merged within the boundary of another district after March 1 of a given year, the boundaries of the taxing district are established as of *September 1* of that year for the purpose of collecting taxes in the following year. Under current law, June 1 is the effective date for determining district boundaries under these circumstances.

The act is retroactive with respect to transfers of school territory occurring on or after August 1, 2007, and is also prospective in application.

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**Appropriation:** None.

**Fiscal Note:** Requested on 1/23/2008.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Staff Summary of Public Testimony:**

(In support) The bill is designed to address a specific injustice that occurred when the Vader School District was merged with the Castle Rock School District last year. Because the dissolution/merger occurred after the June 1 deadline specified in the state property tax code, the residents of the former Vader School District will not be required to pay any school district taxes in 2008. This is unfair to the other taxpayers in the merged school district and Vader district residents should not be given a free ride. The retroactivity provision in the bill will remedy this problem and result in all residents of the district shouldering their fair share of the tax burden.

(With concerns) If the bill passes, the affected counties will have to revise their 2008 tax levies and recalculate the tax assessments for the residents of the Castle Rock School District. Accordingly, if passed, the bill would cause significant administrative problems for the counties involved and cost the taxpayers a substantial amount of money along the way. This would be a major headache for the counties and result in unacceptable administrative costs.

Although there is no question that the situation in the affected school districts caused some unfair tax consequences, the remedy proposed by the bill is even more problematic. The bill is flawed because it does not squarely address the deeper problems regarding the dissolution of school districts. In addition, the bill presents state constitutional problems, since it would involve refunding lawfully collected taxes, which would amount to an unconstitutional gift of public funds to private parties. Also, retroactively imposing a tax on residents of the former Vader School District amounts to taxation without representation.

**Persons Testifying:** (In support) Representative Takko, prime sponsor; and Gayle Baker, Castle Rock School Board Chair.

(With concerns) Terry McLaughlin, Cowlitz County Assessor; Judy Ainslie, Cowlitz County Treasurer; Rose Bowman, Lewis County Treasurer; Dianne Dorey, Lewis County Assessor; and Brad Flaherty, Department of Revenue.

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