

HOUSE BILL REPORT

HB 2554

As Reported by House Committee On:
Finance

Title: An act relating to levy lid lift ballot propositions.

Brief Description: Requiring lid lift ballot propositions to expressly indicate a permanent increase to the levy base.

Sponsors: Representatives Dickerson and McIntire.

Brief History:

Committee Activity:

Finance: 1/25/08, 2/6/08 [DPS].

Brief Summary of Substitute Bill

- Requires lid lift ballot propositions to expressly indicate a permanent increase to the levy base.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Condotta, Assistant Ranking Minority Member; Conway, Ericks, McIntire, Roach and Santos.

Minority Report: Do not pass. Signed by 1 member: Representative Orcutt, Ranking Minority Member.

Staff: Jeff Mitchell (786-7139).

Background:

In addition to constitutional and statutory limits on property tax rates, there is a statutory 1 percent limit on revenue growth for taxing districts. Under this revenue "lid" the amount of revenue collected from a regular (i.e., non-voter-approved) property tax levy cannot be more than 1 percent above the highest one year amount collected in the prior three years. Taxing districts may exceed this 1 percent cap if the voters in the district approve a "lid lift" which allows voters in a district to agree to tax themselves above the lid. Prior to 2003, lid lifts were

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limited to one year. In 2003 the Legislature authorized counties, cities, and towns to seek voter approval for multi-year lid lifts for up to six consecutive years. For a multi-year lid lift, each year's maximum legal levy is the base for the following year. In 2007 the Legislature, through the enactment of ESB 5498, extended multi-year lid lift authority to all taxing districts. The ESB 5498 also made non-substantive, technical changes to the lid lift statute.

Prior to the passage of ESB 5498, a multi-year lid lift's levy base increase was presumed temporary unless the ballot measure explicitly made the increase permanent. After ESB 5498 became effective, the Department of Revenue (Department) modified its interpretation regarding the temporary or permanent nature of the levy base increase for multi-year lid lifts. A multi-year lid lift ballot proposition is now interpreted to permanently increase a taxing district's levy base unless the increase is limited in duration in the ballot measure. The Department's modified interpretation of the lid lift statute did not change the default rule for single-year lid lifts. The default rule for single-year lid lifts is analogous to the revised rule for multi-year lid lifts: a levy base increase is permanent unless explicitly limited in the ballot proposition.

Summary of Substitute Bill:

Taxing districts are required to explicitly indicate in any lid lift ballot proposition that the district's levy base will be permanently increased. If the ballot proposition does not expressly indicate that the final levy will be used for the purpose of computing subsequent levies, the levy base increase is presumed temporary. The existing presumption of a permanent levy base increase for single-year lid lifts is not modified. This bill applies to multi-year lid lift ballot propositions approved on or after the effective date of the act.

Substitute Bill Compared to Original Bill:

The substitute bill incorporated technical, non-substantive changes to improve clarity.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony: None.

Persons Testifying: None.

Persons Signed In To Testify But Not Testifying: None.