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**Local Government Committee**

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**HB 2492**

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

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

**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.

**Hearing Date:** 1/24/08

**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 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**

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

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.

**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 a given year for the purpose of collecting taxes in that 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.

**Appropriation:** None.

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

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