
Finance Committee

HB 2627

Brief Description: Providing that voter-approved property tax increases do not permanently increase a taxing district's levy base, unless expressly stated in the ballot proposition.

Sponsors: Representatives Orcutt, McCune, Hinkle, Chandler, Haler, Anderson, Condotta, Herrera, Bailey, Armstrong, Hailey, Newhouse, Campbell, Roach, Kretz, Dunn, Kristiansen and Warnick.

Brief Summary of Bill

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

Hearing Date: 1/25/08

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 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. ESB5498 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

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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 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. This change is made retroactive to lid lift ballot propositions approved on or after July 22, 2007.

Appropriation: None.

Fiscal Note: Available.

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