

# HOUSE BILL REPORT

## ESB 6641

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### As Passed House:

March 6, 2008

**Title:** An act relating to providing that voter-approved property tax increases do not permanently increase a taxing district's levy base, unless expressly stated in the ballot proposition.

**Brief Description:** Providing that voter-approved increases in property tax levy limitations for a multiyear period of up to six years do not permanently increase a taxing district's levy base, unless otherwise provided in the ballot proposition.

**Sponsors:** By Senators Regala, Zarelli and Carrell; by request of Department of Revenue.

### Brief History:

#### Committee Activity:

Finance: 2/22/08, 2/27/08 [DP].

#### Floor Activity:

Passed House: 3/6/08, 93-0.

### Brief Summary of Engrossed Bill

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

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## HOUSE COMMITTEE ON FINANCE

**Majority Report:** 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:** Without recommendation. 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

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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. In 2007 the Legislature, through the enactment of ESB 5498, extended multi-year lid lift authority to all taxing districts. Engrossed Senate Bill 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 that the levy base increase is permanent unless explicitly limited in the ballot proposition.

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#### **Summary of Bill:**

Taxing districts are required to explicitly indicate in a ballot proposition for both multi-year and single year lid lifts 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.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

#### **Staff Summary of Public Testimony:**

(In support) The intent in ESB 5498 from last year was not to change the default rule for multi-year lid lifts. We have advised cities to expressly indicate whether the lid lift is permanent or temporary. The prospective application clause, which is included in this bill, but not the House version, is important. Bond counsel has advised that we may have trouble if we change something that has already occurred. This bill promotes good public policy by requiring ballot propositions to be clear.

(Opposed) None.

**Persons Testifying:** Jim Justin, Association of Washington Counties; and Amber Carter, Association of Washington Business.

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