

SENATE BILL REPORT

HB 2492

As Reported By Senate Committee On:
Government Operations & Elections, February 21, 2008
Ways & Means, March 03, 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: Representatives Takko, Blake, McIntire, Haigh and Orcutt.

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

Committee Activity: Government Operations & Elections: 2/21/08 [w/oRec-WM].
Ways & Means: 2/29/08, 3/03/08 [DPA, DNP, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Fairley, Hatfield, Hobbs, Keiser, Kohl-Welles, Rasmussen, Regala, Rockefeller, Schoesler and Tom.

Minority Report: Do not pass.

Signed by Senators Zarelli, Ranking Minority Member; Honeyford.

Minority Report: That it be referred without recommendation.

Signed by Senators Brandland, Carrell, Parlette and Roach.

Staff: Bryon Moore (786-7726)

Background: Property taxes are levied in one year and collected in the following year. Property tax levies are based on district boundaries as they exist on an established date. With certain exceptions, the official boundaries of counties, cities, and all other taxing districts, for the purposes of property taxation, are established on August 1 of the year in which the property tax levy is made. If a district boundary is changed after August 1, then the tax may only be collected in the second calendar year following the boundary change.

One exception to the August 1 tax district boundary determination date is: After March 1, of any year, if one taxing district is dissolved and or merged within the boundary of another

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district, the boundaries of the taxing district are established as of June 1 of that year for the purposes of collecting taxes in the following year.

On August 31, 2007, pursuant to agreement, the territory of the Vader school district was transferred to the Castle Rock school district. This transfer took place after both of the dates specified under current law for determination of excess property tax levies for collection in calendar year 2008.

Summary of Bill (Recommended Amendments): If a school district was entirely merged with another school district between August 2, 2007, and September 1, 2007, excess school district property tax levies collected in calendar year 2009 must be adjusted to reflect the amounts that would have been collected during calendar year 2008 if that merger had occurred before August 1, 2007. Any adjustments will be made based on the geographic boundaries of the school districts that were in existence immediately prior.

After March 1, if a school district has been added to or removed from a neighboring district, then the boundaries of a taxing district must be established on September 1 of the given year for the purpose of collecting taxes.

To avoid double amendment conflicts with Substitute Senate Bill 6663, the following are removed: (1) references in RCW 84.09.030 to the obsolete dates for establishing property tax district boundaries, and (2) statutory references to dates earlier than August 1.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Amendments): Eliminated the retroactive application back to August 1, 2007. Provisions are added that require excess school district property tax levies collected in calendar year 2009 to be adjusted to reflect the amounts that would have been collected during calendar year 2008 if that Castle Rock and Vader merger had occurred before August 1, 2007. Technical adjustments are added that deal with preventing a double amendment if both House Bill 2492 and Engrossed Senate Bill 6663 are enacted.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony (Government Operations & Elections): PRO: This bill is equitable for all taxpayers, and it is fair that those who were in the Vader School District and those in the Castle Rock School District help fund the education they receive.

CON: This bill creates problems for those who have already paid their taxes; for individuals who have their banks paying mortgages; and for those who have already received a tax bill that shows no taxes owed with respect to local schools. If this bill passes, tax bills will have to be re-billed which imposes an increase on county services. There are also constitutional issues, such as taxation without representation, for the previous district of Vader.

OTHER: Our concern is with the retroactive aspect of this bill. For individuals who previously paid their taxes, there could be a constitutional challenge that any refunds

constitute a gift. Additionally, this bill conflicts with Senate Bill 6663, which would essentially cause passed language to be stricken.

Persons Testifying (Government Operations & Elections): PRO: Representative Takko, prime sponsor; Henry Karnofski, Castle Rock School District.

CON: Judy Ainslie, Cowlitz County Treasurer; Dianne Dorey, Lewis County Assessor.

OTHER: Brad Flaherty, Department of Revenue.

Staff Summary of Public Testimony on Original Bill (Ways & Means): PRO: This bill is about fairness. It is an emergent issue to correct issues when the Vader School District was merged with the Castle Rock School District just two months past the current dates specified in statute. The retroactivity provision in the bill will remedy the problem of Vader residents getting a free ride and result in all residents of the district shouldering their fair share of the tax burden. While acknowledging there is an impact, the local government fiscal note significantly overstates the cost associated with making this correction.

CON: 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. This would be a major headache for the counties and result in unacceptable administrative costs. Additionally, since the Vader residents did not vote for the Castle Rock levy in place for calendar year 2008, this could be interpreted as taxation without representation.

OTHER: This retroactivity aspects of this bill are problematic. If asked, we would have to advise counties that it would be illegal to implement this given the Vader school district consolidation occurred after the dates allowed under current law. Given that this would require refunding tax payments, it also raises some questions about gift of public funds.

Persons Testifying (Ways & Means): PRO: Representative Takko, prime sponsor.

CON: Rose Bowman, Lewis County Treasurer; Dianne Dorey, Lewis County Assessor.

OTHER: Gil Brewer, Department of Revenue.