

SENATE BILL REPORT

SB 5893

As of February 19, 2007

Title: An act relating to a reduction in the state property tax levy.

Brief Description: Reducing the state property tax levy.

Sponsors: Senators Honeyford, Sheldon, McCaslin, Morton, Clements, Stevens, Holmquist, Benton, Carrell, Parlette, Roach and Delvin.

Brief History:

Committee Activity: Ways & Means: 2/15/07.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

Background: The state property tax levy is limited to a maximum of \$3.60 per \$1,000 of assessed value upon the assessed valuation of all taxable property within the state adjusted to the state equalized value. The Department of Revenue equalizes the assessed values of the various counties to true and fair value to provide a uniform base upon which to impose the state property tax. The levy collected is limited to a 1 percent increase each year plus the value of new construction and the value of state assessed properties. The tax is dedicated to the support of the common schools.

In calendar year 2006, the state rate at market value was \$2.31 per \$1,000 of assessed value while the average equalized state rate was \$2.58. The amount raised from the state property tax levy was \$1.64 billion.

Summary of Bill: The state property tax levy for collection in 2008 is reduced by 14.17 percent of the levy amount that would be collected. The state property tax levy for collection in 2009 is reduced by 13.85 percent of the amount that would otherwise be collected.

The state levies for collection in 2010 and thereafter is set at the amount the levy would have been without the reductions in 2008 and 2009.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

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.

Staff Summary of Public Testimony: PRO: This is a way to give people back some of their surplus, without hurting the local governments. We have had a long standing position to gradually buy down the state property tax levy. This is nothing compared to what taxpayers want. A property tax revolt is coming—should it be done in Olympia or should the voters do it. This is significant tax relief. Because it is broad-based it will effect everyone. It lowers the barriers to ownership of property.

CON: Washington tax policy is the most regressive in the nation. We have the third fastest rate of growth between rich and poor. Property taxes in this state are regressive. The poorest 20 percent of households pay 4 percent of income in property tax whereas the top 1 percent of wage earners pay less than 1 percent of income on property taxes. The reason that initiatives have been successful is because property taxes are not fair. We encourage you to go slow and deliberate the effect of each property tax bill. Not every property tax owner needs relief.

Persons Testifying: PRO: Senator Honeyford, prime sponsor; Tim Eyman, Taxpayer Protection Initiative; Amber Carter, Association of Washington Business; Paul Guppy, Washington Policy Center.

CON: Barbara Flye, Washington Tax Fairness Coalition.