

FINAL BILL REPORT

ESB 6641

C 319 L 08

Synopsis as Enacted

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

Senate Committee on Ways & Means
House Committee on Finance

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 multiyear lid lifts for up to six consecutive years. In 2007, the Legislature, through the enactment of ESB 5498 (C 380 L 07), extended multiyear 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 multiyear 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 multiyear lid lifts. A multiyear 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 singleyear lid lifts. The default rule for singleyear lid lifts is that the levy base increase is permanent unless explicitly limited in the ballot proposition.

Summary: Taxing districts are required to explicitly indicate in a ballot proposition for both multiyear 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 increase is presumed temporary.

Votes on Final Passage:

Senate	49	0
House	93	0

Effective: April 1, 2008