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## Finance Committee

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### SSB 5799

**Brief Description:** Exempting levies imposed by qualifying flood control zone districts from certain limitations upon regular property tax levies.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Fain and Keiser).

#### Brief Summary of Substitute Bill

- Allows flood control zone districts located in a county with a population of 775,000 or more to continue to protect a portion of their levy capacity from general prorationing requirements until January 1, 2023.
- Permits flood control zone districts located in a county within the Chehalis river basin to protect a portion of their levy capacity from general prorationing requirements from January 1, 2018 until January 1, 2023.

**Hearing Date:** 3/17/15

**Staff:** Richelle Geiger (786-7175).

#### Background:

All real and personal property in the state is subject to property tax each year based on its value, unless specific exemption is provided by law. The Washington Constitution (Constitution) requires that taxes be uniform within a class of property. Uniformity requires both an equal rate of tax and equality in valuing the property taxes. The Constitution limits regular property tax levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value). The Legislature has established individual district rate maximums and aggregate rate maximums to keep the total tax rate for regular property taxes within the constitutional limit. For example:

- the state levy rate is limited to \$3.60 per \$1,000 of assessed value;
- county general levies are limited to \$1.80 per \$1,000 of assessed value;
- county road levies are limited to \$2.25 per \$1,000 of assessed value; and
- city levies are limited to \$3.375 per \$1,000 of assessed value.

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*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.*

For property tax purposes, the state, counties, and cities, with respect to the levies listed above, are collectively referred to as senior taxing districts.

Junior taxing districts, a term that includes fire, hospital, flood control zone and most other special purpose districts, each have specific rate limits as well.

The tax rates for senior and junior districts, excluding the state, must fit within an overall rate limit of \$5.90 per \$1,000 of assessed value. If the \$5.90 limit is exceeded, statute establishes the sequential order in which the levies of various junior taxing district levies must be proportionally reduced or eliminated (a process referred to as prorationing) to conform to the \$5.90 limit.

Some regular property tax levies, including levies for port districts, emergency medical services, and criminal justice purposes, are not subject to the \$5.90 aggregate rate limit. These levies have protections from general prorationing requirements and exist within the 50 cent "gap" that remains after subtracting the \$3.60 state levy and the \$5.90 in local regular levies from the constitutional \$10 limit per \$1,000 of assessed value.

Under current law, qualifying flood control zone districts may protect up to 25 cents per \$1,000 of assessed value levy authority through exceptions to general prorationing requirements if their levy within the \$5.90 limit is subject to prorationing (proration protection). To qualify, a flood control zone district must be located in a county with a population of 775,000 or more and coextensive with a county. This provision is set to expire in 2018.

**Summary of Bill:**

A flood control zone district that is located in a county with a population of 775,000 or more and coextensive with a county may continue to qualify for proration protection until January 1, 2023. A flood control zone district that is located in a county within the Chehalis River basin and coextensive with a county may qualify for proration protection from January 1, 2018 until January 1, 2023.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on January 1, 2018.