
Finance Committee

HB 2041

Brief Description: Making existing local government authority to seek voter approval to raise property tax revenue more useful.

Sponsors: Representatives Koster, Volz and Chapman.

Brief Summary of Bill

- Allows all county authorities to seek voter approval for the criminal justice regular levy.
- Provides a definition of criminal justice, with respect to the levy.
- Allows jurisdictions to use revenue generated with a levy lid lift to supplant existing funds.

Hearing Date: 2/20/17

Staff: Richelle Geiger (786-7139).

Background:

Regular Property Taxes.

All property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The annual growth of regular property tax levy (regular levy) revenue is limited to the lesser of inflation or 1 percent plus the value of new construction for jurisdictions with a population of 10,000 or more. For jurisdictions with a population less than 10,000, revenue growth is limited to 1 percent. The Washington Constitution limits regular levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value). There are 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.

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 criminal justice purposes, port districts, and emergency medical services, 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.

Criminal Justice Regular Property Tax.

Counties with a population of 90,000 or less are authorized to impose a regular property tax of up to \$0.50 cents per \$1,000 of the assessed value of property in the county. The funds are to be used for criminal justice purposes only. Criminal justice is not defined in the statute. The levy is not subject to the \$5.90 per thousand dollars of assessed value limitation that applies to other junior and senior districts, but is subject to the 1 percent of true and fair value limitation. Tax may be imposed for up to six consecutive years, but only after a voter approval of 60 percent on the proposition at a general or special election.

Levy lid lift.

Regular property tax revenue for local governments is restricted to a growth rate of 1 percent plus new construction. Voters may approve regular property tax increases above this 1 percent amount. This voter-approved increase is referred to as a lid lift. A lid lift may be for a single year or for multiple years, not to exceed six years. Multi-year lid lifts must be for a specific purpose, and lid lift funds may not supplant existing funds used for the purpose specified in the lid lift ballot proposition.

Summary of Bill:

All counties are permitted to seek voter approval for the criminal justice levy. Criminal justice is defined, by reference to RCW 82.14.310, as activities that substantially assist the criminal justice system, which may include circumstances where ancillary benefit to the civil or juvenile justice system occurs, including domestic violence services such as those provided by domestic violence programs, community advocates, and legal advocates.

Local governments are permitted to use revenue generated from a levy lid lift to supplant existing funds.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.