

SENATE BILL REPORT

SB 6382

As of January 24, 2018

Title: An act relating to creating a task force on state and local property tax reform.

Brief Description: Creating a task force on state and local property tax reform.

Sponsors: Senators Carlyle, Chase and Hunt.

Brief History:

Committee Activity: Ways & Means: 1/25/18.

<p>Brief Summary of Bill</p> <ul style="list-style-type: none">• Creates a task force on state and local property tax reform.
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SENATE COMMITTEE ON WAYS & MEANS

Staff: Jeffrey Mitchell (786-7438)

Background: All real and personal property in the state is subject to property tax each year based on its value, unless a specific exemption is provided by law. The Washington Constitution requires that taxes be uniform within a class of property. Real property constitutes a single class of property under the Constitution. Uniformity requires both an equal rate of tax and equality in valuing property.

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 established individual district rate maximums and aggregate rate maximums to keep the total tax rate for regular property taxes within this 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. These districts are known as senior districts. The junior districts, such as fire, library, hospital, and metropolitan park districts, each have specific rate limits as well. The tax rates for most of these senior and junior districts must fit within an overall rate limit of \$5.90 per \$1,000 of assessed value. State statutes contain schedules specifying the preferential order in which the various junior taxing district levies are prorated in the event that the \$5.90 limit is exceeded. A few regular

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property tax levies are not placed into the \$5.90 aggregate rate limit: emergency medical services, conservation futures, affordable housing, certain metropolitan park districts, county ferry districts, criminal justice, fire districts, and county transit are some examples. However, these districts are subject to reduction if the rates for these districts, the state property tax, and the districts subject to the \$5.90 limit together exceed the constitutional limit. These districts are in what has been called the gap, the \$0.50 remaining after subtracting the maximum \$3.60 state levy and the \$5.90 in local regular levies from the statutory \$10 limit.

In 2017, approximately \$11.5 billion was collected statewide in property taxes from the state and various local taxing jurisdictions. Of the total, local school district property taxes accounted for about 36 percent of the total. The state accounted for about 18 percent and other local taxing districts such as cities, counties, and fire districts accounted for the rest.

Summary of Bill: A legislative task force on state and local property tax reform is established consisting of 14 members, including 4 legislative members.

The task force must examine and provide recommendations on improving the equity, adequacy, reliability, transparency, and simplicity of Washington's property tax system with regard to the following issues:

- property taxes as a state and local government revenue source;
- the fiscal impacts and efficacy of current exclusions to the state and local government property tax base in meeting public policy objectives and potential modifications to the inclusion or exclusion of properties in the property tax base based on such factors as the residential or commercial character of the property and any other factors the task force considers relevant in meeting the goals of improved equity, adequacy, reliability, transparency, and simplicity;
- property tax assessment and collection procedures and methods;
- the tax burden and regressive nature of property taxes, including an analysis of the tax burden on homeowners contrasted with other types of property owners, the regressive nature of property taxes in comparison with other existing and potential state and local revenue sources, and regional differences in the property tax burden across the state; and
- potential amendments to the state Constitution to provide more legislative flexibility in designing a property tax system that is more equitable, adequate, reliable, transparent, and simple.

Staff support for the legislative task force must be provided by the Department of Revenue, House of Representatives Office of Program Research, and Senate Committee Services. County assessors and treasurers must provide any data or information requested by the task force or the Department of Revenue in order for the task force to perform its study.

The task force must submit its findings to the House Finance Committee and Senate Ways and Means Committee of the Legislature no later than January 14, 2020. A minority report may be submitted along with the task force's report if requested by any member of the task force.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: Yes.

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