
Finance Committee

HJR 4212

Brief Description: Providing for community redevelopment financing in apportionment districts.

Sponsors: Representatives Sullivan, Springer, Stokesbary, Senn, Slatter, Sells, Boehnke, Goehner and Lekanoff.

<p>Brief Summary of Bill</p> <ul style="list-style-type: none">• Amends the Washington State Constitution to allow tax increment financing.
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Hearing Date: 2/6/20

Staff: Nick Tucker (786-7383).

Background:

Tax Increment Financing.

Tax increment financing (TIF) is a method of allocating a portion of property taxes to finance economic development in urban areas. Typically, under TIF, a local government issues bonds to finance public improvements. To repay its bondholders, the local government is permitted to draw upon regular property tax revenue collected from property owners inside a special district surrounding the site of the public improvements.

Construction of public improvements tends to increase the market values of nearby properties. Increases in value can result in increased property taxes for each taxing district that includes property near the public improvement. Under TIF, the local government making the improvement gets all of the resulting tax revenue increase. For example, if a city makes an improvement that raises nearby property values, the city gets all of the resulting increase in property taxes, rather than sharing that increase with the state, county, and other local districts under the normal property tax allocation system.

State Constitution and Property Taxes.

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.

Uniformity (Article VII, section 1).

The state Constitution requires all taxes to be applied uniformly on property within each taxing district. However, the Legislature may exempt certain property from taxation. All real and personal property in the state is subject to the state property tax, unless specifically exempted under law. Property taxes are based on the assessed fair market value of the property.

Limits (Article VII, section 2).

The state Constitution also limits regular property tax levies to a maximum of 1 percent of a property's assessed value (AV). This applies collectively to the total taxes levied by the state, local governments, and any other agencies with taxing authority. However, the Constitution specifically exempts port and utility districts from this limitation.

To keep the total tax rate within the 1 percent limit, the Legislature has established individual and aggregate limits for the various tax districts. The tax levy maximum assessed by the state is set at \$3.60 per \$1,000 of the AV. The state levy takes precedence over all other levies. Most of the remaining local tax districts must share an overall maximum rate of \$5.90 per \$1,000 of the AV.

Excess Levies (Article VII, section 2).

Any taxing district may levy a tax exceeding the 1 percent constitutional limit if approved by at least a three-fifths vote, based on a certain percentage of voters within the district. A school district is authorized to impose an excess levy with simple majority vote.

Indebtedness (Article VIII).

The state may contract debt up to a limit based on a certain percentage of general state revenues. Local governments generally may incur debt up to 1.5 percent of the total value of taxable property without voter authorization.

Apportionment (Article VII, section 6; Article VIII, section 4).

All taxes collected for state purposes must be paid to the state treasury. Money paid out of the treasury must be appropriated by law.

Summary of Bill:

The Constitution is amended to allow tax increment financing.

A county, city, town, or port district, if authorized by the Legislature, is allowed to allocate all or a portion of regular property taxes, including the state property tax, imposed within a designated area to fund public infrastructure improvements within the area.

A county, city, town, or port district, if authorized by the Legislature, is also allowed to impose a special property tax exclusively within the designated area for the purpose of funding public improvements.

The allocation of regular property taxes and imposition of a special property tax are exempted from the constitutional requirements relating to: uniformity, the 1 percent limit on property taxes, indebtedness, the funding of schools through the state property tax, and the appropriation of state taxes.

Appropriation: None.

Fiscal Note: Not requested.