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## Finance Committee

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### HB 1362

**Brief Description:** Modifying the annual regular property tax revenue growth limit.

**Sponsors:** Representatives Duerr, Pollet, Ramos, Fey, Fitzgibbon, Callan, Ryu, Senn, Bateman, Goodman, Macri, Ramel and Harris-Talley.

<p style="text-align: center;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Changes the 101 percent revenue growth limit to 100 percent plus population changes and inflation, with a limit of 103 percent.</li></ul>
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**Hearing Date:** 3/18/21

**Staff:** Rachelle Harris (786-7137).

**Background:**

Property Tax – General.

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 limits regular property tax levies to a maximum of 1 percent of the property's value. Excess levies are not subject to this constitutional limit and require voter approval. There are statutory rate maximums for individual taxing districts and aggregate rate maximums to keep the total tax rate of regular property taxes within the constitutional limit.

Revenue Growth Limit.

Regular property tax levies are subject to a statutory revenue growth limit, often referred to as the “101 percent levy limit” or the “1 percent growth limit.”

The limit factor varies by size of a taxing district. For taxing districts with a population of less

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than 10,000 in the calendar year prior to the assessment year, the limit is 101 percent. For all other districts, the limit is the lesser of 101 percent or 101 percent plus inflation.

For purposes of levy growth limits, inflation means the percentage change in the implicit price deflator (IPD) for personal consumption expenditures for the United States as published for the most recent 12-month period by the Federal Department of Commerce by September 25 of the year before the taxes are payable.

Taxing districts may adopt a substantial need resolution to levy up to 101 percent if the IPD is less than 1 percent.

Increases in levy capacity may be made outside the limit factor by additional amounts for the following add-ons:

- new construction;
- construction of wind turbine, solar, biomass, and geothermal facilities;
- improvements to property; and
- increased value of state-assessed property.

### **Summary of Bill:**

For purposes of the property tax revenue growth limit, the limit factor of 101 percent is replaced with a limit factor of 100 percent plus population change and inflation, with a limit of 103 percent.

Inflation is defined as the annual percentage increase in the consumer price index for all urban consumers in the western region for all items as provided for the most recent 12-month period by the United States Department of Labor by July 25 of the year before the taxes are payable.

“Population change” means the percent increase in the population of a taxing district between the two most recent years provided in the official population estimates published by the Office of Financial Management in April of the year before the taxes are payable. If population decreases, the population change is zero.

The ability for taxing districts with regular levies and a substantial need to adopt a resolution to use the growth factor of 101 percent instead of the IPD if the IPD is less than 1 percent is repealed.

The changes are applicable for taxes levied for collection in 2022 and thereafter.

**Appropriation:** None.

**Fiscal Note:** Available.

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