
Local Government Committee

HB 1022

Brief Description: Providing additional support and services for veterans' assistance and for persons with developmental disabilities or mental health needs.

Sponsors: Representatives Chapman, Reed, Lekanoff, Reeves, Chopp, Wylie, Kloba and Riccelli.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Permits counties to collect the Veterans' Assistance levy and the Mental Health and Developmental Disabilities levy as separate levies, outside of the county's general levy rate.
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Hearing Date: 1/18/23

Staff: Elizabeth Allison (786-7129).

Background:

Property Tax.

All real 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 all regular property tax levy revenue, other than the state levies, is limited as follows:

- For jurisdictions with a population of less than 10,000, revenue growth is limited to 1 percent.
- For jurisdictions with a population of 10,000 or more, revenue growth is limited to the lesser of inflation, or 1 percent plus the value of new construction.

The Washington Constitution limits regular levies to a maximum of 1 percent of the property's value, which is \$10 per \$1,000 of assessed value (AV). There are individual district rate

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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 AV.
- County general levies are limited to \$1.80 per \$1,000 of AV.
- County road levies are limited to \$2.25 per \$1,000 of AV.
- City levies are limited to \$3.375 per \$1,000 of AV.

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 taxing districts, excluding the state, must fit within an overall rate limit of \$5.90 per \$1,000 of AV. If the statutory \$5.90 or constitutional \$10 limit are exceeded, state law establishes the sequential order in which the levies must be proportionally reduced or eliminated, a process referred to as prorationing, to conform to the statutory and constitutional limits.

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

Veterans' Assistance Levy.

County legislative authorities are required to collect a levy dedicated to a Veterans' Assistance Fund (Fund). The Fund may only be used for:

- veterans' assistance programs for indigent veterans and families;
- burial or cremation of deceased indigent veterans or deceased family members of indigent veterans; and
- direct and indirect costs incurred in the administration of the Fund.

The rate is within the county's maximum general levy rate. The minimum levy rate is 1.125 cents per \$1,000 of AV, although the county legislative authority may levy a lesser amount if there are sufficient funds residing in the Fund. The maximum levy rate is 27 cents per \$1,000 of AV. The county legislative authority may increase or reduce the levy in the same proportion as the regular county property tax levy.

As part of the county general levy, the levy is subject to both the \$5.90 per \$1,000 of AV and constitutional 1 percent levy limit. The revenue may not grow more than 101 percent per year, unless the voters approve a levy lid lift.

Mental Health and Developmental Disabilities Levy.

County governing authorities are required to budget and levy annually a tax to provide additional

funds for the coordination and provision of community services for persons with developmental disabilities or mental health services.

The levy rate must be equivalent to 2.5 cents per \$1,000 AV, except as otherwise provided under statute. The Mental Health and Developmental Disabilities (MHDD) levy may be increased or reduced in direct proportion to the to the prior year's certified county general levy. The county legislative authority may increase or reduce the levy in the same proportion as the regular county property tax levy.

All or part of the funds collected from the MHDD levy may be transferred to the Department of Social and Health Services to serve as matching funds for federal monies to provide and coordinate community services for persons with developmental disabilities and mental health services. For those counties that elect to transfer the MHDD levy to the state, the state must grant the county MHDD funds, and those matching funds received from federal grants, to community agencies within the county in compliance with the plan approved by the county.

Summary of Bill:

Veterans' Assistance Levy.

County legislative authorities are permitted to continue collecting the Veterans' Assistance (Veterans') levy within the county's general levy rate, or they may collect the Veterans' levy as a separate levy, outside of the county's general levy rate.

If the Veterans' levy is collected as a separate levy, the levy is not subject to the \$5.90 per \$1,000 of AV limitations but is subject to the constitutional 1 percent levy limit. The separate levy has a minimum levy rate of 1.125 cents per \$1,000 of AV and a maximum levy rate of 27 cents per \$1,000 of AV. The Veteran's levy is established in the prorationing priority. The limit factor for the separate levy is the greater of 101 percent, or 100 percent plus inflation.

Mental Health and Developmental Disabilities Levy.

County legislative authorities are permitted to continue collecting the MHDD levy within the county's general levy rate, or they may collect the MHDD levy as a separate levy, outside of the county's general levy rate. The authorization that the county legislative authority may increase or reduce the MHDD levy in the same proportion as the regular county property tax levy is removed.

Appropriation: None.

Fiscal Note: Requested on January 13, 2023.

Effective Date: The bill takes effect on January 1, 2024.