

HOUSE BILL REPORT

HB 1670

As Reported by House Committee On:
Finance

Title: An act relating to raising the limit factor for property taxes.

Brief Description: Raising the limit factor for property taxes.

Sponsors: Representatives Ormsby, Fitzgibbon, Walen, Macri, Senn, Bergquist, Gregerson, Springer, Goodman, Chopp, Bateman, Wylie, Fey, Ryu, Stonier, Riccelli, Reeves, Duerr, Ramel, Alvarado and Pollet.

Brief History:

Committee Activity:

Finance: 2/20/23, 2/21/23 [DP].

Brief Summary of Bill

- Changes the 101 percent revenue growth limit for local property taxes to 100 percent plus population changes and inflation, with a capped limit of 103 percent.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 8 members: Representatives Berg, Chair; Street, Vice Chair; Chopp, Ramel, Santos, Springer, Walen and Wylie.

Minority Report: Do not pass. Signed by 4 members: Representatives Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Barnard and Stokesbary.

Staff: Rachelle Harris (253-444-0316).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

All real and personal 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 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.

The value of the following add-ons is added in addition to the limit factor:

- new construction;
- construction of wind turbine, solar, biomass, and geothermal facilities;
- improvements to property;
- increased value of state-assessed property; and
- increased value within a local tax increment financing area.

The state collects two regular property tax levies. The revenue growth limit applies to both state levies and all regular local property tax levies. Excess levies are not subject to this limit and require voter approval.

For purposes of the revenue growth limit, 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 resolution of substantial need to levy up to 101 percent if the IPD is less than 1 percent.

Summary of Bill:

For purposes of the revenue growth limit for local property taxes, the limit factor of 101 percent is replaced with a limit factor of 100 percent plus population change and inflation, with a cap 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.

The term "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.

By September 1 of each year, the Department of Revenue must provide county assessors the limit factors. By October 1 of each year, county assessors must determine how the limit factor applies to each taxing district and notify each taxing district.

The changes are applicable for taxes levied for collection in 2024 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.

Staff Summary of Public Testimony:

(In support) This bill is about removing the restrictions on local government spending and allowing them to sufficiently finance things like emergency responders and roads. Local governments are limited in their ability to get the resources they need to fund necessary things. This is one of the recommendations that came out of the Tax Structure Work Group. Some cities are highly dependent on property tax revenues. Costs of city services outpace the growth in revenues, so cities are continually at budget shortfalls and have to choose between services provided. The 1 percent cap does not reflect the needs of local revenues and is arbitrary. The change this bill allows will more accurately reflect the budget needs of local governments. Counties support this bill, because they understand best how to structure our budgets. Inflation and growth in service needs keeps counties perpetually underfunded. Maintenance of operation levels that are approved by citizens is critical, and we should not have to repeatedly go back to voters to request additional funding.

(Opposed) Property taxes are already out of control, and this bill would make that worse. This would create severe financial hardship for many citizens. Voters have spoken before on the desire for a 1 percent cap. Governments do not have a revenue problem they have a spending problem and mismanagement. This bill violates the uniformity requirements within the constitution. The population metric is problematic because jurisdictions cross many boundary lines.

Persons Testifying: (In support) Representative Timm Ormsby, prime sponsor; Paul Jewell, Washington State Association of Counties; Amy Ockerlander, City of Duvall and Association of Washington Cities; Marla Keethler, City of White Salmon; David Baker, City of Kenmore; Michael White, King County; Candice Bock, Association of Washington Cities; Breean Beggs, City of Spokane City Council; Megan Dunn, Snohomish County;

Wes McCart, Stevens County; Mark Ozias, Clallam County; Kevin O'Brien, Michael McConnell, and Roy Waugh, Snohomish Regional Fire and Rescue; Axel Swanson, Washington State Association of County Engineers; Bud Sizemore, Washington State County of Fire Fighters; and Joe Kendo, Washington State Labor Council and the American Federation of Labor and Congress of Industrial Organizations.

(Opposed) Mary Long, Conservative Ladies of Washington; John Roskelley; and Lorilee Gates.

Persons Signed In To Testify But Not Testifying: Lacey Jane Wolfe, City of Bellevue; Lisa Parshley, Olympia City Council; Gretchen Caserotti, Pierce County Library System; Hunter George, Metro Parks Tacoma and Washington Recreation and Park Association; Jerome Delvin, Benton County; Kate Dean, Jefferson County; Lisa Janicki, Skagit County; Mary Lou Steward, City of Blaine; Nick Federici, Cities of Sammamish, Spokane, and Yakima; Art Swannack, Whitman County; and Jeff Pittman.