

HOUSE BILL REPORT

HB 2044

As Reported by House Committee On:
Finance

Title: An act relating to standardizing limitations on voter-approved property tax levies.

Brief Description: Standardizing limitations on voter-approved property tax levies.

Sponsors: Representatives Duerr, Senn, Fitzgibbon, Alvarado, Ryu, Taylor, Callan, Berry, Gregerson, Reed, Macri, Chopp, Bergquist, Goodman, Pollet, Kloba and Davis.

Brief History:

Committee Activity:

Finance: 1/18/24, 1/23/24 [DP].

Brief Summary of Bill

- Removes the restriction on levy lid lift funds supplanting existing funds.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 9 members: Representatives Berg, Chair; Street, Vice Chair; Chopp, Ramel, Santos, Springer, Thai, Walen and Wylie.

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

Staff: Rachelle Harris (786-7137).

Background:

Property Tax—Regular Levies.

Revenue Growth Limit. 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

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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 plus the value of new construction.

The state collects two regular property tax levies for common schools. The revenue growth limit applies to both levies.

Constitutional \$10 Limit. The Washington Constitution limits regular levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value). There are individual district rate 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 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.
- City levies are limited to \$3.375 per \$1,000 of assessed value.

Levy Lid Lift.

Voters may approve regular property tax increases above the revenue growth limit. This voter-approved increase is referred to as a levy lid lift. A levy lid lift may be authorized for a single year or for multiple years, not to exceed six years. A multi-year lid lift must be for a specific and limited purpose. Taxing districts in counties with a population of less than 1.5 million can use levy lid lift funds to supplant (replace) existing funds used for the lid lift's specific purpose. Taxing districts in counties with a population of 1.5 million or more cannot use property tax levy lid lift funds to supplant existing funds used for the lid lift's specific purpose.

Levy lid lifts may generate revenue for any purpose, but the amount of the increase is still limited by statutory maximum rates.

Summary of Bill:

Funds raised by a levy lid lift may be used by taxing districts in all counties to supplant existing funds for the lid lift's specified purpose.

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) King County should have the same say in what their levy funds are used for as other counties. Revenue shortfalls put programs at risk within King County. Without additional revenue, King County will be required to make cuts to critical services. This bill lets King County be treated like all other local governments and gives King County voters a voice in what they fund. The nonsupplant requirement is overly constraining for many cities.

(Opposed) Nonsupplant language is really a bait and switch. This bait and switch happens too much in Olympia, and this bill allows that to happen more often. A lift to raising taxes is wrong. We need more conversation about budget cuts.

Persons Testifying: (In support) Representative Davina Duerr, prime sponsor; Michael White, King County; and Candice Bock, Association of Washington Cities.

(Opposed) Laurie Layne, Layne Software; Tim Eyman; Jeff Pack, Washington Citizens Against Unfair Taxes; Dave Kimble, Citizens Supporting South Kitsap Schools; and Jeff Daily.

Persons Signed In To Testify But Not Testifying: None.