

# HOUSE BILL REPORT

## 2ESB 5638

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**As Passed House:**  
May 22, 2011

**Title:** An act relating to the exemption of certain taxing districts.

**Brief Description:** Concerning the exemption of certain taxing districts.

**Sponsors:** Senators Keiser, Fain, Prentice and Shin.

**Brief History:**

**Committee Activity:**

Ways & Means: 4/13/11, 4/21/11 [DPA].

**First Special Session**

**Floor Activity:**

Passed House: 5/22/11, 53-37.

**Brief Summary of Second Engrossed Bill**

- Authorizes a metropolitan park district in a county with a population of 1.5 million or more to move a portion of its property tax levy outside the \$5.90 aggregate limit if it would otherwise have been subject to prorationing.

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### HOUSE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended. Signed by 16 members: Representatives Hunter, Chair; Darneille, Vice Chair; Hasegawa, Vice Chair; Carlyle, Cody, Dickerson, Haigh, Hudgins, Hunt, Kagi, Kenney, Ormsby, Pettigrew, Seaquist, Springer and Sullivan.

**Minority Report:** Do not pass. Signed by 11 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Chandler, Haler, Hinkle, Parker, Ross, Schmick and Wilcox.

**Staff:** Jeff Olsen (786-7175).

**Background:**

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*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.*

### Property Tax Levy.

The state Constitution limits regular property tax levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value). Voters within a taxing district can vote to tax themselves higher than this 1 percent limit with an excess levy. The Legislature has established 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, and city levies are limited to \$3.375 per \$1,000 of assessed value. These districts are known as "senior" districts. Junior districts such as fire, library, hospital, and flood control districts each have specific rate limits as well. The tax rates for most of these senior and junior districts must fit within an overall rate limit of \$5.90 per \$1,000 of assessed value. State statutes contain schedules specifying the preferential order in which the various junior taxing district levies will be prorated in the event that the \$5.90 limit is exceeded. Under this prorating system, senior districts are given preference over junior districts.

### Property Tax "Gap".

A few regular property tax levies are not placed into the \$5.90 aggregate rate limit: emergency medical service, conservation futures, affordable housing, metropolitan park districts, county ferry districts, criminal justice, fire districts, and county transit. However, these districts are subject to reduction if the rates for these districts, the state property tax, and the districts subject to the \$5.90 limit together exceed the constitutional limit of \$10 per \$1,000 of market value. These districts are in what has been called the "gap," the 50 cents remaining after subtracting the \$3.60 state levy and the \$5.90 in local regular levies from the statutory \$10 limit.

Subject to voter approval, a metropolitan park district with a population of 150,000 or more may move a portion of its levy outside the \$5.90 aggregate limit if it would otherwise have been subject to prorationing.

### **Summary of Amended Bill:**

Subject to voter approval, a metropolitan park district in a county with a population of 1.5 million or more may move a portion of its levy outside the \$5.90 aggregate limit if it would otherwise have been subject to prorationing. Metropolitan park districts' authority to protect taxes from prorationing is limited to taxes levied for collection in 2012 through 2017.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Amended Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed, except section 1, relating to the order of prorationing, which takes effect if House Bill 1969 is not enacted by August 1, 2011, and section 2, relating to the order of prorationing, which takes effect if House Bill 1969 is enacted by August 1, 2011.

### **Staff Summary of Public Testimony:**

(In support) None.

(Opposed) None.

**Persons Testifying:** None.

**Persons Signed In To Testify But Not Testifying:** None.