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**HOUSE BILL 1898**

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**State of Washington 67th Legislature 2022 Regular Session**

**By** Representatives Orcutt, Caldier, Dufault, Jacobsen, Corry, Graham, and Young

AN ACT Relating to providing property tax relief by reducing both parts of the state school levies based on an amount that approximates the fiscal impact of extraordinary growth in property values that exceeded the valuation growth assumptions of budget writers when part two of the state school levy was enacted; amending RCW 84.52.065 and 84.55.010; and creating new sections.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  In response to the state supreme court decision in *McCleary v. State*, the legislature chose to make a dramatic increase in state property tax levies to generate additional revenue to pay for schools. In making that decision, state budget writers were operating with forecasted increases in property values as estimated at the time. Since then, property values across the state have continually increased at a much faster pace than anticipated, resulting in an estimated property tax revenue collection in tax years 2018 through 2022 that is more than $2,000,000,000 more than was intended to be collected in the McCleary fix. This has resulted in an unnecessary property tax burden on Washington residents. It is the intent of the legislature now to reduce this burden and provide critical tax relief by reducing state property tax levies. This bill provides that relief by reducing both parts of the state school levies beginning in the 2023 tax year and establishing a new basis for the state levies to ensure that the extra revenues collected in past years is not carried forward in future years' levy calculation.

**Sec.**  RCW 84.52.065 and 2019 c 411 s 1 are each amended to read as follows:

(1) Except as otherwise provided in this section, subject to the limitations in RCW 84.55.010, in each year the state must levy for collection in the following year for the support of common schools of the state a tax of three dollars and sixty cents per thousand dollars of assessed value upon the assessed valuation of all taxable property within the state adjusted to the state equalized value in accordance with the indicated ratio fixed by the state department of revenue.

(2)(a) In addition to the tax authorized under subsection (1) of this section, the state must levy an additional property tax for the support of common schools of the state.

(i) For taxes levied for collection in calendar years 2018 through 2021, the rate of tax is the rate necessary to bring the aggregate rate for state property tax levies levied under this subsection and subsection (1) of this section to a combined rate of two dollars and forty cents per thousand dollars of assessed value in calendar year 2019 and two dollars and seventy cents per thousand dollars of assessed value in calendar years 2018, 2020, and 2021. The state property tax levy rates provided in this subsection (2)(a)(i) are based upon the assessed valuation of all taxable property within the state adjusted to the state equalized value in accordance with the indicated ratio fixed by the state department of revenue.

(ii) For taxes levied for collection in calendar year 2022 and thereafter, the tax authorized under this subsection (2) is subject to the limitations of chapter 84.55 RCW.

(b)(i) Except as otherwise provided in this subsection, all taxes collected under this subsection (2) must be deposited into the state general fund.

(ii) For fiscal year 2019, taxes collected under this subsection (2) must be deposited into the education legacy trust account for the support of common schools.

(3) For taxes levied for collection in calendar years 2019 through 2021, the state property taxes levied under subsections (1) and (2) of this section are not subject to the limitations in chapter 84.55 RCW.

(4) For taxes levied for collection in calendar year 2022 and thereafter, the aggregate rate limit for state property taxes levied under subsections (1) and (2) of this section is three dollars and sixty cents per thousand dollars of assessed value upon the assessed valuation of all taxable property within the state adjusted to the state equalized value in accordance with the indicated ratio fixed by the state department of revenue.

(5) For property taxes levied for collection in calendar years 2019 through 2021, the rate of tax levied under subsection (1) of this section is the actual rate that was levied for collection in calendar year 2018 under subsection (1) of this section.

(6) The amount of state taxes levied under this section for collection in calendar years 2023, 2024, and 2025 are as provided in this subsection.

(a) For calendar year 2023:

(i) The amount levied under subsection (1) of this section is determined by reducing the part I highest lawful levy for calendar year 2023 by $1,099,000,000. For purposes of this subsection (6), "part I highest lawful levy for calendar year 2023" means the sum of $2,592,900,000 plus any increase allowed under RCW 84.55.010.

(ii) The amount levied under subsection (2) of this section is determined by reducing the part II highest lawful levy for calendar year 2023 by $920,000,000. For purposes of this subsection (6), "part II highest lawful levy for calendar year 2023" means the sum of $1,222,500,000 plus any increase allowed under RCW 84.55.010.

(b) For calendar year 2024:

(i) The amount levied under subsection (1) of this section is the part I highest lawful levy for calendar year 2024. For purposes of this subsection (6), "part I highest lawful levy for calendar year 2024" means the part I highest lawful levy for calendar year 2023, plus any increase allowed under RCW 84.55.010.

(ii) The amount levied under subsection (2) of this section is the part II highest lawful levy for calendar year 2024. For purposes of this subsection (6), "part II highest lawful levy for calendar year 2024" means the part II highest lawful levy for calendar year 2023, plus any increase allowed under RCW 84.55.010.

(c) For calendar year 2025:

(i) The amount levied under subsection (1) of this section is the part I highest lawful levy for calendar year 2024, plus any increase allowed under RCW 84.55.010.

(ii) The amount levied under subsection (2) of this section is the part II highest lawful levy for calendar year 2024, plus any increase allowed under RCW 84.55.010.

(7) The amounts levied under subsections (1) and (2) of this section for collection in calendar years 2026 and thereafter are governed by the levy limits in chapter 84.55 RCW and the aggregate rate limit in subsection (4) of this section.

(8) As used in this section, "the support of common schools" includes the payment of the principal and interest on bonds issued for capital construction projects for the common schools.

**Sec.**  RCW 84.55.010 and 2021 c 207 s 10 are each amended to read as follows:

(1) Except as provided in this chapter, the levy for a taxing district in any year must be set so that the regular property taxes payable in the following year do not exceed the sum of:

(a) The limit factor multiplied by the amount of regular property taxes lawfully levied for such district in the highest of the three most recent years in which such taxes were levied for such district, excluding any increase due to ((~~(e)~~)) (b)(v) of this subsection, unless the highest levy was the statutory maximum rate amount((~~, plus an~~)); and

(b) An additional dollar amount calculated by multiplying the regular property tax levy rate of that district for the preceding year by the increase in assessed value in that district resulting from:

((~~(a)~~)) (i) New construction;

((~~(b)~~)) (ii) Increases in assessed value due to construction of wind turbine, solar, biomass, and geothermal facilities, if such facilities generate electricity and the property is not included elsewhere under this section for purposes of providing an additional dollar amount. The property may be classified as real or personal property;

((~~(c)~~)) (iii) Improvements to property;

((~~(d)~~)) (iv) Any increase in the assessed value of state-assessed property; and

((~~(e)~~)) (v) Any increase in the assessed value of real property, as that term is defined in RCW 39.114.010, within an increment area as designated by any local government in RCW 39.114.020 provided that such increase is not included elsewhere under this section. This subsection (1)((~~(e)~~)) (b)(v) does not apply to levies by the state or by port districts and public utility districts for the purpose of making required payments of principal and interest on general indebtedness.

(2) The requirements of this section do not apply to:

(a) State property taxes levied under RCW 84.52.065(1) for collection in calendar years 2019 through 2021; and

(b) State property taxes levied under RCW 84.52.065(2) for collection in calendar years 2018 through 2021.

(3) For state property taxes levied for collection in 2023 through 2025, the levy must be set so that the regular property taxes payable in the following year equals the limit factor multiplied by the applicable part I or part II highest lawful levy amount as provided in RCW 84.52.065(6), plus an additional dollar amount calculated as provided in subsection (1)(b) of this section.

NEW SECTION. **Sec.**  This act applies to taxes levied for collection in 2023 and thereafter.

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