

HOUSE BILL REPORT

HB 2208

As Reported By House Committee On:

Finance

Title: An act relating to reducing the state property tax levy for 1997 and thereafter.

Brief Description: Reducing the state property tax levy.

Sponsors: Representatives B. Thomas, Schoesler, Mastin, Radcliff, Dyer, Koster, Campbell, Smith, Huff, Horn, D. Schmidt, Elliot, Johnson, Hickel, Thompson, Cooke, Goldsmith, Backlund, Hargrove and Benton.

Brief History:

Committee Activity:

Finance: 1/8/96 [DP].

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 10 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Boldt, Vice Chairman; Morris, Ranking Minority Member; Hymes; Mulliken; Pennington; Schoesler; Sheldon and Van Luven.

Minority Report: Do not pass. Signed by 2 members: Representatives Dickerson, Assistant Ranking Minority Member; and Mason.

Staff: Rick Peterson (786-7150).

Background: The state annually levies a statewide property tax. The state property tax is limited to a rate no greater than \$3.60 per \$1,000 of market value. The state property tax is also limited by the 106 percent levy limit. The 106 percent levy limit requires reduction of property tax rates as necessary to limit the total amount of property taxes received by a taxing district. The limit for each year is the sum of (a) 106 percent of the highest amount of property taxes levied in the three most recent years, plus (b) an amount equal to last year's levy rate multiplied by the value of new construction.

The state property tax for collection in 1996 was reduced by 4.7187 percent by 2ESSB 5000, enacted during the 1995 session. This reduction affected only the 1996 levy. Therefore, for purposes of the 106 percent limit, state levies after 1996 will be

set at the amount that would otherwise be allowed as if the reduction in 1996 had never occurred.

The Governor vetoed HB 1957, which would have provided an additional reduction of 5 percent of the 1996 levy. This reduction would have been used in the 106 percent levy limit calculation. Thus, it would also have reduced future state levies.

Summary of Bill: The state property tax for collection in 1997 is reduced by 5 percent. The reduced 1997 levy will be used for future state levy calculations under the 106 percent levy limit.

Appropriation: None.

Fiscal Note: Requested January 4, 1996.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: We support reducing the state property tax. This bill reduces the 1997 state property tax. If the Legislature wants to reduce the 1996 state property tax, however, a bill must be adopted within two weeks.

Testimony Against: None.

Testified: Fred Saeger, Washington Association of County Officials (pro).