

HOUSE BILL REPORT

HB 2898

As Reported By House Committee On:

Finance

Title: An act relating to limiting property taxes.

Brief Description: Limiting property tax increases additionally to the rate of inflation.

Sponsors: Representatives Carrell, B. Thomas, Hymes, Boldt, Chandler, Schoesler, Koster, Sherstad, Johnson, Mitchell, McMorris, Blanton, Mulliken, McMahan, Silver, Cooke, Huff, Hickel, D. Sommers, Campbell and Smith.

Brief History:

Committee Activity:

Finance: 2/5/96 [DP].

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 9 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Boldt, Vice Chairman; Hymes; Mulliken; Pennington; Schoesler; Sheldon and Van Luven.

Minority Report: Do not pass. Signed by 3 members: Representatives Morris, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; and Mason.

Staff: Rick Peterson (786-7150).

Background: All real and personal property in this state is subject to the property tax each year based on its value unless a specific exemption is provided by law. The tax bill is determined by multiplying the assessed value by the tax rate for each taxing district in which the property is located.

The sum of property tax rates is limited by the state constitution to a maximum of 1.0 percent of true and fair value, or \$10 per \$1,000 of value. The constitution provides a procedure for voter approval for tax rates that exceed the 1 percent limit. These taxes are called "excess" levies. Taxes imposed under the 1 percent limit are termed "regular" taxes. Regular taxes do not require voter approval.

In 1971, the Legislature imposed a statutory lid on regular property tax increases. Regular taxes subject to the limit include the state, counties, cities, port districts, fire protection districts, library districts, metropolitan park districts, and public hospital districts. 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 tax rate multiplied by the value of new construction. There are some exceptions and adjustments allowed to the limit.

The 106 percent limit does not apply to voter-approved excess levies, such as local school M&O levies and levies to retire bond issues. The 106 percent limit does not limit an individual taxpayer's property taxes to 6 percent growth per year or limit an individual taxpayer's assessed value to 6 percent growth per year.

Summary of Bill: The 106 percent limit is changed to the lesser of (a) 106 percent or (b) 100 percent plus the percentage change in the United States Consumer Price Index. The change is first effective for 1997 property taxes.

Appropriation: None.

Fiscal Note: Requested on January 31, 1996.

Effective Date: The bill takes effect thirty day after the election at which it is approved.

Testimony For: This bill is the same as HB 2841, except that it is referred to a vote of the people. The bill will reduce the growth in property taxes to the rate of inflation rather than double the rate of inflation.

Testimony Against: None.

Testified: Representative Michael Carrell, prime sponsor.