

# HOUSE BILL REPORT

## ESHB 1452

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### As Passed Legislature

**Title:** An act relating to allowing voters to approve ballot propositions protecting a portion of metropolitan park district property taxes from prorationing.

**Brief Description:** Allowing voters to protect a portion of metropolitan park district property taxes from prorationing.

**Sponsors:** By House Committee on Government Operations (originally sponsored by Representatives Mitchell, Regala, Reams, R. Fisher, Hickel, Ebersole, Carrell, Brumsickle, Huff and Conway).

**Brief History:**

**Committee Activity:**

Government Operations: 2/8/95, 2/10/95 [DPS].

**Floor Activity:**

Passed House: 2/22/95, 97-0.

Passed Legislature.

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### HOUSE COMMITTEE ON GOVERNMENT OPERATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Reams, Chairman; L. Thomas, Vice Chairman; Rust, Ranking Minority Member; Scott, Assistant Ranking Minority Member; Chopp; R. Fisher; Hargrove; Honeyford; Hymes; Mulliken; D. Schmidt; Sommers; Van Loven and Wolfe.

**Staff:** Steve Lundin (786-7127).

**Background:**

1. Regular and excess property tax levies.

Article VII, Section 2, of the state constitution, provides that in any year the aggregate of all property taxes on any property may not exceed 1 percent of its "true and fair value." Property taxes that are subject to this 1 percent limitation are referred to as regular property tax levies.

2. Restrictions on regular levies.

In most instances, the statute authorizing a regular property tax levy establishes a maximum annual levy rate for the tax that is described in terms of dollars or cents per \$1,000 of assessed valuation.

Statutes classify regular tax levies into three categories, and establish limitations on the amount of regular levies that may be imposed within the categories, as follows:

- o The state imposes regular property taxes to fund K-12 education at a maximum rate of \$3.60 per \$1,000 of assessed valuation in any year, adjusted to what is called the state equalized value in accordance with the indicated ratio established by the Department of Revenue.
- o The combined rate of most other regular property tax levies may not exceed \$5.90 per \$1,000 of assessed valuation in any year. Most regular property taxes are included in this category, including most county, city, fire district, and library district regular property.
- o A few regular property tax levies are not placed into either of the above two categories, but a maximum cumulative rate limitation is not established for these tax levies.

This third category of regular property taxes is sometimes referred to as the "other" category. Only a few tax levies are placed into the third category, including voter approved annual regular levies of up to 50 cents per \$1,000 of assessed valuation that may be imposed for six years to support emergency medical services. Instead of a precise combined dollar rate limitation for taxes in the third category, taxes in this category are limited only if the combined rates of all regular property taxes on any property (including those in the other two categories) exceed the constitutional 1 percent limitation.

### 3. Prorationing of regular property tax levies.

If the combined rates of regular property tax levies in the second category of regular property taxes on any property exceeds the \$5.90 per \$1,000 of assessed valuation cumulative limitation in any year, statutes provide for the reduction or elimination of levy rates to keep the combined rate of these taxes within the cumulative rate limitation. The reduction or elimination of regular property taxes is called the "prorationing" of levies.

This reduction is accomplished by further classifying regular property taxes, that are included within the second category of regular property tax levies, into status levels and reducing or eliminating taxes within the lower status levels to keep the combined rate of these tax levies within this limitation.

#### 4. Metropolitan park districts.

Metropolitan park districts are authorized to provide parks, zoos, and other recreational facilities and services. Only one metropolitan park district exists in the state, the Metropolitan Park District of Tacoma.

Metropolitan park districts are authorized to impose property taxes to finance these facilities and services. These property tax levies are placed into the second category of regular property tax levies and are divided into two separate levies and assigned differing status levels as follows:

- o A levy of up to 50 cents per \$1,000 of assessed valuation is placed into a relatively high status level; and
- o A levy of up to 25 cents per \$1,000 of assessed valuation is placed into a status level that is two levels below the status level for the 50 cents per \$1,000 of assessed valuation status level.

**Summary of Bill:** A metropolitan park district with a population of 150,000 or more is allowed to seek voter approval to protect its 25 cents per \$1,000 of assessed valuation levy from being prorated or reduced.

Such a metropolitan park district may submit a ballot proposition to its voters which, if approved, would remove all or part of the district's 25 cents per \$1,000 levy from the cumulative rate of \$5.90 per \$1,000 of assessed valuation and place any portion of this levy that would otherwise be prorated into the third or "other" category of regular property taxes for a six-year period.

Any potential reduction of levies in the "other" category is adjusted so that the metropolitan park district levy is reduced or eliminated before any other levies in this category are affected.

**Appropriation:** None.

**Fiscal Note:** Not Requested.

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

**Testimony For:** This is voter approval only and allows a greater degree of protection for metro park district tax levies.

**Testimony Against:** None.

**Testified:** Representative Mitchell, prime sponsor; T.K. Bentler, George Madsen, Jim Montgomerie, and Wayne Fanshier, Metropolitan Park District of Tacoma; and Pete Spiller, Washington Fire Districts Association.