

SENATE BILL REPORT

SB 5000

As Reported By Senate Committee On:
Ways & Means, February 16, 1995

Title: An act relating to property tax reductions.

Brief Description: Reducing property taxes.

Sponsors: Senators Loveland, Snyder, Wojahn, Sheldon, Gaspard, Franklin, Haugen, Rasmussen, Quigley, Owen, McAuliffe, Winsley, McCaslin, Drew, Morton, Prentice, Bauer, Spanel, Hale and Deccio.

Brief History:

Committee Activity: Ways & Means: 2/1/95, 2/16/95 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5000 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Drew, Fraser, Gaspard, Hargrove, Moyer, Quigley, Sheldon, Snyder, Spanel, Sutherland and Winsley.

Staff: Terry Wilson (786-7715)

Background: The Constitution limits the amount of property taxes that may be imposed on an individual parcel of property without voter approval to 1 percent of its true and fair value, or \$10 per \$1,000 of assessed value. Of this, the state levy is limited to \$3.60 per \$1,000 of assessed value, equalized to market value, for the support of the common schools.

Initiative Measure No. 601 limits state General Fund (GF-S) expenditures. The initiative establishes two fiscal reserve funds. All GF-S revenue in excess of the expenditure limitation is deposited in an Emergency Reserve Fund. Appropriations may be made from the Emergency Reserve Fund only with a two-thirds vote of each house of the Legislature, and only if the appropriation does not exceed the expenditure limitation. If the balance in the Emergency Reserve Fund exceeds 5 percent of biennial GF-S revenues, the excess is deposited in an Education Construction Fund. Moneys in this fund may be appropriated by majority vote of the Legislature for capital construction projects for higher education and the K-12 school system. If approved by the voters and two-thirds of each house of the Legislature, moneys in the Education Construction Fund may be appropriated for any other purpose.

Summary of Substitute Bill: A Property Tax Reduction Fund is created into which is deposited all GF-S revenues in excess of the state expenditure limit for that fiscal year. The amount transferred into the Property Tax Reduction Fund for any four-quarter period ending September 30 may not exceed the amount of tax that would otherwise be levied by the state for the support of the common schools for collection the following calendar year, as forecast

by the Economic and Revenue Forecast Council. All GF-S revenues in excess of this amount are deposited into the Emergency Reserve Fund and then the Education Construction Fund as previously provided by Initiative Measure No. 601.

Moneys in the Property Tax Reduction Fund are transferred to the state General Fund annually on the first day of November. These moneys may only be used for the support of the common schools and are used to reduce the state property tax levy for collection the following calendar year.

Other taxing district levies are prevented from being higher as a result of a lower state tax levy.

Substitute Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect July 1, 1995.

Testimony For: This buys down the state levy until the state is out of the property tax business. All 39 counties support this bill. There is no administrative cost. It eliminates the state's dependency on the property tax. The war on property taxes is escalating nationally. People want tax relief. Local voter-approved levies will have a greater chance of passing.

Testimony Against: The state might need the surplus in the next five years because there are large federal cuts under current plans.

Testified: Senator Loveland, prime sponsor (pro); Paul Dossett, WA Association of County Assessors (pro); Gail Rauch, Carol Belas, Ray Hall, Ben Gassaway, WA Association of County Assessors (pro); Jay Weber, WA Association of Counties (pro); Elizabeth Pierini, People for Fair Taxes (con).