

SENATE BILL REPORT

SB 5237

As of February 10, 1995

Title: An act relating to limiting the increase in taxing district levies to the inflation rate.

Brief Description: Limiting the increase in taxing district levies to the inflation rate.

Sponsors: Senators Oke, Owen, Cantu, Long, Schow, McDonald, Finkbeiner, Hochstatter, Deccio and West.

Brief History:

Committee Activity: Ways & Means: 2/1/95.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7715)

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 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. Taxes imposed under the 1 percent limit are termed "regular" levies.

In 1971, the Legislature imposed a statutory lid on regular property tax levy increases. Under this lid, regular property taxes levied by a taxing district may not exceed 106 percent of the taxes levied by the district in the highest of the preceding three years. In calculating this amount, the levy in each of the previous years is assumed to be the highest levy permissible under this provision. This limit may be exceeded by majority vote.

The 106 percent limit is not a limitation on the amount of taxes that may be imposed on an individual taxpayer but rather is an aggregate limit on the amount of property taxes that may be levied by a taxing district.

Summary of Bill: The 106 percent limit is changed to the lesser of (1) 106 percent or (2) 100 percent plus the percentage change in the implicit price deflator for the United States for the fiscal year.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: Taxing districts are taxing people out of their homes. Property taxes bear no relationship to the ability to pay them. This limit should be applied to individual taxpayers. Some districts are voluntarily limiting their levies to inflation or less.

Testimony Against: Revenue growth at the local level has been little more than inflation, but costs are higher for law enforcement programs and social services. Local government could not have maintained existing services if this bill were in effect for the last few years.

Testified: Paul Telford, citizen; Susanne Paulsrude, citizen (pro); Jack Westerman, Jefferson County Assessor (pro); Stan Finkelstein, AWC (con).