

SENATE BILL REPORT

SB 5828

As of February 15, 1995

Title: An act relating to limiting tax increases on residential real property.

Brief Description: Limiting tax increases on residential real property.

Sponsors: Senators Sutherland, Oke, McCaslin and Rasmussen.

Brief History:

Committee Activity: Ways & Means: 2/21/95.

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 increase in regular property tax levies upon residential real property is limited to 4 percent per year, except upon a change of ownership of the property. In applying this limitation, property can be revalued to market value as of January 1, 1996. The limit does not apply to the first levy on increases in value resulting from improvements made to property except to the extent the improvements restore the property to its previous condition and value after substantial damage due to fire, storm, or other catastrophic event.

The 106 percent limit is reduced by any reduction in taxes for the appropriate year resulting from the tax limit under the bill.

Appropriation: None.

Fiscal Note: Requested on February 8, 1995.

Effective Date: The bill takes effect for taxes payable in 1997 if SJR 8213 is approved at the November 1995 general election.

Testimony For: This gives citizens some certainty in taxes. It reduces the growth in taxes and does not shift to business. There would be a cost to counties that should be reimbursed under Initiative 601.

Testimony Against: None.

Testified: Senator Sutherland, prime sponsor (pro); Fred Saeger, WA State Assn. of County Officials (pro).