
ENGROSSED SUBSTITUTE SENATE BILL 5000

State of Washington

54th Legislature

1995 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Loveland, Snyder, Wojahn, Sheldon, Gaspard, Franklin, Haugen, Rasmussen, Quigley, Owen, McAuliffe, Winsley, McCaslin, Drew, Morton, Prentice, Bauer, Spanel, Hale and Deccio)

Read first time 02/20/95.

1 AN ACT Relating to property tax reductions; amending RCW
2 43.135.045, 84.48.080, 84.52.010, and 84.55.092; reenacting and
3 amending RCW 43.84.092; adding a new section to chapter 84.48 RCW; and
4 providing for submission of this act to a vote of the people.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 43.135.045 and 1994 c 2 s 3 (Initiative Measure No.
7 601) are each amended to read as follows:

8 (1) The property tax reduction fund and the emergency reserve fund
9 ~~((is))~~ are established in the state treasury. During each fiscal year,
10 the state treasurer shall deposit in the ~~((emergency reserve))~~ property
11 tax reduction fund all general fund--state revenues in excess of the
12 state expenditure limit for that fiscal year. Deposits shall be made
13 at the end of each fiscal quarter based on projections of state
14 revenues and the state expenditure limit.

15 The amount transferred into the property tax reduction fund for any
16 four-quarter period ending September 30th may not exceed the amount of
17 tax that would otherwise be levied by the state for the support of the
18 common schools for collection the following calendar year, as forecast
19 by the economic and revenue forecast council, without regard to the

1 credit under section 2 of this act. All general fund--state revenues
2 for any four-quarter period ending September 30th in excess of the
3 amount of tax that would otherwise be levied by the state for the
4 support of the common schools for collection the following calendar
5 year, as forecast by the economic and revenue forecast council, without
6 regard to the credit under section 2 of this act shall be deposited
7 into the emergency reserve fund.

8 (2) The legislature may appropriate moneys from the emergency
9 reserve fund only with approval of at least two-thirds of the members
10 of each house of the legislature, and then only if the appropriation
11 does not cause total expenditures to exceed the state expenditure limit
12 under this chapter.

13 (3) The emergency reserve fund balance shall not exceed five
14 percent of biennial general fund--state revenues as projected by the
15 official state revenue forecast. Any balance in excess of five percent
16 shall be transferred on a quarterly basis by the state treasurer to the
17 education construction fund hereby created in the treasury.

18 (4)(a) Funds may be appropriated from the education construction
19 fund exclusively for common school construction or higher education
20 construction.

21 (b) Funds may be appropriated for any other purpose only if
22 approved by a two-thirds vote of each house of the legislature and if
23 approved by a vote of the people at the next general election. An
24 appropriation approved by the people under this subsection shall result
25 in an adjustment to the state expenditure limit only for the fiscal
26 period for which the appropriation is made and shall not affect any
27 subsequent fiscal period.

28 NEW SECTION. Sec. 2. A new section is added to chapter 84.48 RCW
29 to read as follows:

30 The state treasurer shall transfer the moneys in the property tax
31 reduction fund to the general fund annually on the first day of
32 November. These moneys may only be used for the support of the common
33 schools and shall be credited against the levy under RCW 84.52.065 for
34 collection the following calendar year.

35 **Sec. 3.** RCW 84.48.080 and 1994 c 301 s 43 are each amended to read
36 as follows:

1 (1) Annually during the months of September and October, the
2 department of revenue shall examine and compare the returns of the
3 assessment of the property in the several counties of the state, and
4 the assessment of the property of railroad and other companies assessed
5 by the department, and proceed to equalize the same, so that each
6 county in the state shall pay its due and just proportion of the taxes
7 for state purposes for such assessment year, according to the ratio the
8 valuation of the property in each county bears to the total valuation
9 of all property in the state.

10 First. The department shall classify all property, real and
11 personal, and shall raise and lower the valuation of any class of
12 property in any county to a value that shall be equal, so far as
13 possible, to the true and fair value of such class as of January 1st of
14 the current year for the purpose of ascertaining the just amount of tax
15 due from each county for state purposes. In equalizing personal
16 property as of January 1st of the current year, the department shall
17 use the assessment level of the preceding year. Such classification
18 may be on the basis of types of property, geographical areas, or both.
19 For purposes of this section, for each county that has not provided the
20 department with an assessment return by December 1st, the department
21 shall proceed, using facts and information and in a manner it deems
22 appropriate, to estimate the value of each class of property in the
23 county.

24 Second. The department shall keep a full record of its proceedings
25 and the same shall be published annually by the department.

26 (2) The department shall levy the state taxes authorized by law(~~(+
27 PROVIDED, That~~)). The amount levied in any one year for general state
28 purposes shall not exceed the lawful dollar rate on the dollar of the
29 assessed value of the property of the entire state, which assessed
30 value shall be one hundred percent of the true and fair value of such
31 property in money. The department shall apportion the amount of tax
32 for state purposes levied by the department, among the several
33 counties, in proportion to the valuation of the taxable property of the
34 county for the year as equalized by the department: PROVIDED, That for
35 purposes of this apportionment, the department shall recompute the
36 previous year's levy and the apportionment thereof to correct for
37 changes and errors in taxable values reported to the department after
38 October 1 of the preceding year and shall adjust the apportioned amount
39 of the current year's state levy for each county by the difference

1 between the apportioned amounts established by the original and revised
2 levy computations for the previous year. For purposes of this section,
3 changes in taxable values mean a final adjustment made by a county
4 board of equalization, the state board of tax appeals, or a court of
5 competent jurisdiction and shall include additions of omitted property,
6 other additions or deletions from the assessment or tax rolls, any
7 assessment return provided by a county to the department subsequent to
8 December 1st, or a change in the indicated ratio of a county. Errors
9 in taxable values mean errors corrected by a final reviewing body.

10 In addition to computing a levy under this subsection that is
11 reduced by the credit under section 2 of this act, the department shall
12 compute a hypothetical levy without regard to the credit under section
13 2 of this act. This hypothetical levy shall also be apportioned among
14 the several counties in proportion to the valuation of the taxable
15 property of the county for the year, as equalized by the department, in
16 the same manner as the actual levy and shall be used by the county
17 assessors for the purpose of recomputing and establishing a
18 consolidated levy under RCW 84.52.010.

19 (3) The department shall have authority to adopt rules and
20 regulations to enforce obedience to its orders in all matters in
21 relation to the returns of county assessments, the equalization of
22 values, and the apportionment of the state levy by the department.

23 (4) After the completion of the duties ((hereinabove)) prescribed
24 in this section, the director of the department shall certify the
25 record of the proceedings of the department under this section, the tax
26 levies made for state purposes and the apportionment thereof among the
27 counties, and the certification shall be available for public
28 inspection.

29 **Sec. 4.** RCW 84.52.010 and 1994 c 124 s 36 are each amended to read
30 as follows:

31 Except as is permitted under RCW 84.55.050, all taxes shall be
32 levied or voted in specific amounts.

33 The rate percent of all taxes for state and county purposes, and
34 purposes of taxing districts coextensive with the county, shall be
35 determined, calculated and fixed by the county assessors of the
36 respective counties, within the limitations provided by law, upon the
37 assessed valuation of the property of the county, as shown by the
38 completed tax rolls of the county, and the rate percent of all taxes

1 levied for purposes of taxing districts within any county shall be
2 determined, calculated and fixed by the county assessors of the
3 respective counties, within the limitations provided by law, upon the
4 assessed valuation of the property of the taxing districts
5 respectively.

6 When a county assessor finds that the aggregate rate of tax levy on
7 any property, that is subject to the limitations set forth in RCW
8 84.52.043 or 84.52.050, (~~as now or hereafter amended,~~) exceeds the
9 limitations provided in either of these sections, the assessor shall
10 recompute and establish a consolidated levy in the following manner:

11 (1) The full certified rates of tax levy for state, county, county
12 road district, and city or town purposes shall be extended on the tax
13 rolls in amounts not exceeding the limitations established by law;
14 however any state levy shall take precedence over all other levies and
15 shall not be reduced for any purpose other than that required by RCW
16 84.55.010; however, if as a result of the levies imposed under RCW
17 84.52.069, 84.34.230, and 84.52.105, the combined rates of regular
18 property tax levies exceed one percent of the true and fair value of
19 any property, then the levies imposed under RCW 84.34.230 and
20 84.52.105, and any portion of the levy imposed under RCW 84.52.069 that
21 is in excess of thirty cents per thousand dollars of assessed value,
22 shall be reduced on a pro rata basis or eliminated until the combined
23 rates of regular property tax levies no longer exceed one percent of
24 the true and fair value of any property; and

25 (2) The certified rates of tax levy subject to these limitations by
26 all junior taxing districts imposing taxes on such property shall be
27 reduced or eliminated as follows to bring the consolidated levy of
28 taxes on such property within the provisions of these limitations:

29 (a) First, the certified property tax levy rates of those junior
30 taxing districts authorized under RCW 36.68.525, 36.69.145, and
31 67.38.130 shall be reduced on a pro rata basis or eliminated;

32 (b) Second, if the consolidated tax levy rate still exceeds these
33 limitations, the certified property tax levy rates of flood control
34 zone districts shall be reduced on a pro rata basis or eliminated;

35 (c) Third, if the consolidated tax levy rate still exceeds these
36 limitations, the certified property tax levy rates of all other junior
37 taxing districts, other than fire protection districts, library
38 districts, the first fifty cent per thousand dollars of assessed
39 valuation levies for metropolitan park districts, and the first fifty

1 cent per thousand dollars of assessed valuation levies for public
2 hospital districts, shall be reduced on a pro rata basis or eliminated;

3 (d) Fourth, if the consolidated tax levy rate still exceeds these
4 limitations, the certified property tax levy rates authorized to fire
5 protection districts under RCW 52.16.140 and 52.16.160 shall be reduced
6 on a pro rata basis or eliminated; and

7 (e) Fifth, if the consolidated tax levy rate still exceeds these
8 limitations, the certified property tax levy rates authorized for fire
9 protection districts under RCW 52.16.130, library districts,
10 metropolitan park districts under their first fifty cent per thousand
11 dollars of assessed valuation levy, and public hospital districts under
12 their first fifty cent per thousand dollars of assessed valuation levy,
13 shall be reduced on a pro rata basis or eliminated.

14 In determining whether the aggregate rate of tax levy on any
15 property, that is subject to the limitations set forth in RCW
16 84.52.050, exceeds the limitations provided in that section, the
17 assessor shall use the hypothetical state levy, as apportioned to the
18 county under RCW 84.48.080, that was computed under RCW 84.48.080
19 without regard to the credit under section 2 of this act.

20 **Sec. 5.** RCW 84.55.092 and 1988 c 274 s 4 are each amended to read
21 as follows:

22 The regular property tax levy for each taxing district (~~other than~~
23 ~~the state~~)) may be set at the amount which would be allowed otherwise
24 under this chapter if the regular property tax levy for the district
25 for taxes due in prior years beginning with 1986 had been set at the
26 full amount allowed under this chapter.

27 The purpose of this section is to remove the incentive for a taxing
28 district to maintain its tax levy at the maximum level permitted under
29 this chapter, and to protect the future levy capacity of a taxing
30 district that reduces its tax levy below the level that it otherwise
31 could impose under this chapter, by removing the adverse consequences
32 to future levy capacities resulting from such levy reductions.

33 **Sec. 6.** RCW 43.84.092 and 1994 c 2 s 6 (Initiative Measure No.
34 601), 1993 sp.s. c 25 s 511, 1993 sp.s. c 8 s 1, 1993 c 500 s 6, 1993
35 c 492 s 473, 1993 c 445 s 4, 1993 c 329 s 2, and 1993 c 4 s 9 are each
36 reenacted and amended to read as follows:

1 (1) All earnings of investments of surplus balances in the state
2 treasury shall be deposited to the treasury income account, which
3 account is hereby established in the state treasury.

4 (2) The treasury income account shall be utilized to pay or receive
5 funds associated with federal programs as required by the federal cash
6 management improvement act of 1990. The treasury income account is
7 subject in all respects to chapter 43.88 RCW, but no appropriation is
8 required for refunds or allocations of interest earnings required by
9 the cash management improvement act. Refunds of interest to the
10 federal treasury required under the cash management improvement act
11 fall under RCW 43.88.180 and shall not require appropriation. The
12 office of financial management shall determine the amounts due to or
13 from the federal government pursuant to the cash management improvement
14 act. The office of financial management may direct transfers of funds
15 between accounts as deemed necessary to implement the provisions of the
16 cash management improvement act, and this subsection. Refunds or
17 allocations shall occur prior to the distributions of earnings set
18 forth in subsection (4) of this section.

19 (3) Except for the provisions of RCW 43.84.160, the treasury income
20 account may be utilized for the payment of purchased banking services
21 on behalf of treasury funds including, but not limited to, depository,
22 safekeeping, and disbursement functions for the state treasury and
23 affected state agencies. The treasury income account is subject in all
24 respects to chapter 43.88 RCW, but no appropriation is required for
25 payments to financial institutions. Payments shall occur prior to
26 distribution of earnings set forth in subsection (4) of this section.

27 (4) Monthly, the state treasurer shall distribute the earnings
28 credited to the treasury income account. The state treasurer shall
29 credit the general fund with all the earnings credited to the treasury
30 income account except:

31 (a) The following accounts and funds shall receive their
32 proportionate share of earnings based upon each account's and fund's
33 average daily balance for the period: The capitol building
34 construction account, the Cedar River channel construction and
35 operation account, the Central Washington University capital projects
36 account, the charitable, educational, penal and reformatory
37 institutions account, the common school construction fund, the county
38 criminal justice assistance account, the county sales and use tax
39 equalization account, the data processing building construction

1 account, the deferred compensation administrative account, the deferred
2 compensation principal account, the department of retirement systems
3 expense account, the Eastern Washington University capital projects
4 account, the education construction fund, the emergency reserve fund,
5 the federal forest revolving account, the health services account, the
6 public health services account, the health system capacity account, the
7 personal health services account, the industrial insurance premium
8 refund account, the judges' retirement account, the judicial retirement
9 administrative account, the judicial retirement principal account, the
10 local leasehold excise tax account, the local real estate excise tax
11 account, the local sales and use tax account, the medical aid account,
12 the municipal criminal justice assistance account, the municipal sales
13 and use tax equalization account, the natural resources deposit
14 account, the perpetual surveillance and maintenance account, the
15 property tax reduction fund, the public employees' retirement system
16 plan I account, the public employees' retirement system plan II
17 account, the Puyallup tribal settlement account, the resource
18 management cost account, the site closure account, the special wildlife
19 account, the state employees' insurance account, the state employees'
20 insurance reserve account, the state investment board expense account,
21 the state investment board commingled trust fund accounts, the
22 supplemental pension account, the teachers' retirement system plan I
23 account, the teachers' retirement system plan II account, the tuition
24 recovery trust fund, the University of Washington bond retirement fund,
25 the University of Washington building account, the volunteer fire
26 fighters' relief and pension principal account, the volunteer fire
27 fighters' relief and pension administrative account, the Washington
28 judicial retirement system account, the Washington law enforcement
29 officers' and fire fighters' system plan I retirement account, the
30 Washington law enforcement officers' and fire fighters' system plan II
31 retirement account, the Washington state patrol retirement account, the
32 Washington State University building account, the Washington State
33 University bond retirement fund, the water pollution control revolving
34 fund, and the Western Washington University capital projects account.
35 Earnings derived from investing balances of the agricultural permanent
36 fund, the normal school permanent fund, the permanent common school
37 fund, the scientific permanent fund, and the state university permanent
38 fund shall be allocated to their respective beneficiary accounts. All
39 earnings to be distributed under this subsection (4)(a) shall first be

1 reduced by the allocation to the state treasurer's service fund
2 pursuant to RCW 43.08.190.

3 (b) The following accounts and funds shall receive eighty percent
4 of their proportionate share of earnings based upon each account's or
5 fund's average daily balance for the period: The ((~~marine operating~~
6 ~~fund, the~~)) motor vehicle fund((~~7~~)) and the transportation fund.

7 (5) In conformance with Article II, section 37 of the state
8 Constitution, no treasury accounts or funds shall be allocated earnings
9 without the specific affirmative directive of this section.

10 NEW SECTION. **Sec. 7.** This act shall be submitted to the people
11 for their adoption and ratification, or rejection, at the next
12 succeeding general election to be held in this state, in accordance
13 with Article II, section 1 of the state Constitution, as amended, and
14 the laws adopted to facilitate the operation thereof.

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