

# FINAL BILL REPORT

## HB 1037

---

---

### FULL VETO

**Brief Description:** Making the 4.7187% state property tax reduction permanent.

**Sponsors:** Representatives B. Thomas, Mulliken, Honeyford, Johnson, Mastin, Thompson, McMorris, Koster, DeBolt, Carlson, Boldt, Hickel, Alexander, Lambert, Buck, Schoesler, Sterk, Mitchell, D. Schmidt, Wensman, Sherstad, Carrell, Sheldon, Linville, Huff, Cooke, Bush, Smith, Dunn, Dyer, Van Luven, Mielke, Chandler, Cairnes, Talcott, Robertson and Backlund.

### **House Committee on Finance**

**Background:** The state annually levies a statewide property tax. The state property tax is limited to a rate no greater than \$3.60 per \$1,000 of market value. The state property tax is also limited by the 106 percent levy limit. The 106 percent levy limit requires reduction of property tax rates as necessary to limit the total amount of property taxes received by a taxing district. The limit for each year is the sum of (a) 106 percent of the highest amount of property taxes levied in the three most recent years, plus (b) an amount equal to last year's levy rate multiplied by the value of new construction.

The state property tax for collection in 1996 was reduced 4.7187 percent by legislation enacted during the 1995 session. This reduction affected only the 1996 levy. Therefore, for purposes of the 106 percent limit, state levies after 1996 will be set at the amount that would otherwise be allowed as if the reduction in 1996 had never occurred.

**Summary:** The state property tax for collection in 1997 is reduced by 4.7187 percent. The reduced 1997 levy will be used for future state levy calculations under the 106 percent levy limit.

### **Votes on Final Passage:**

House	62 34
Senate	27 18