

HOUSE BILL REPORT

HB 2939

As Reported By House Committee On:

Finance

Title: An act relating to reducing the inflationary adjustment for the state property tax levy to zero over time.

Brief Description: Reducing the inflationary adjustment for the state property tax levy to zero over time.

Sponsors: Representatives Carrell, B. Thomas, Ballasiotes, Thompson, Boldt, DeBolt, Robertson, Pennington, Van Luven, K. Schmidt, Mielke, Mitchell, Lisk, Smith, McMorris, L. Thomas, Mastin, Sheahan, Skinner, Hankins, Mulliken, Delvin, Sehlin, Zellinsky, Chandler, Hickel, Radcliff, Honeyford, Clements, Carlson, Reams, Cooke, Crouse, McDonald, Talcott, Dyer, Cairnes, Benson, Backlund and Bush.

Brief History:

Committee Activity:

Finance: 2/5/98, 2/9/98 [DPS].

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Boldt; Pennington; Schoesler; Thompson and Van Luven.

Minority Report: Do not pass. Signed by 6 members: Representatives Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Conway; Kastama; Mason and Morris.

Staff: Rick Peterson (786-7150).

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 inflationary limit (Referendum 47). This 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) 100 percent plus a growth factor times 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 growth factor is the lesser of inflation, as measured by the implicit price deflator for personal consumption, or 6 percent. This growth factor was 1.9 percent for the 1998 state property tax.

Summary of Substitute Bill: The inflation factor for the state property tax is phased down to zero over 20 years.

Substitute Bill Compared to Original Bill: The substitute bill phases out the inflation factor over 20 years while the original bill phased it out over 10 years.

Appropriation: None.

Fiscal Note: Requested on substitute bill on February 10, 1998.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill goes beyond Initiative 47 in lowering the state property tax. It is a gentle phase out of the inflationary increase in the state property tax over 10 years. The state should reduce its use of the property tax.

Testimony Against: None.

Testified: Representative Carrell, sponsor; and Fred Saeger, Washington Association of County Officials (pro).