

SENATE BILL REPORT

ESSB 6614

As Passed Senate, March 7, 2018

Title: An act relating to funding for the support of common schools.

Brief Description: Providing property tax relief by reducing calendar year 2019 state property taxes and redirecting revenue to the education legacy trust account for fiscal year 2019.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Mullet, Rolfes, Dhingra and Frockt).

Brief History:

Committee Activity: Ways & Means: 2/20/18, 2/21/18 [DPS, w/oRec].

Floor Activity:

Passed Senate: 3/07/18, 25-23.

Brief Summary of Engrossed First Substitute Bill

- Reduces the calendar year 2019 state property tax by \$390 million.
- Redirects \$935 million of state property taxes in calendar year 2019 from the State General Fund (GFS) to the Education Legacy Trust Account.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6614 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair; Billig, Carlyle, Conway, Darneille, Hasegawa, Hunt, Keiser, Mullet, Palumbo, Pedersen, Ranker and Van De Wege.

Minority Report: That it be referred without recommendation.

Signed by Senators Braun, Ranking Member; Honeyford, Assistant Ranking Member; Bailey, Brown, Schoesler, Wagoner and Warnick.

Staff: Jeffrey Mitchell (786-7438)

Background: State Property Tax. The Washington State Constitution limits regular property tax levies to a maximum of 1 percent of the property's value—\$10 per \$1,000 of assessed

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value (AV). In addition to the 1 percent constitutional rate cap, most regular property taxes are subject to a statutory revenue growth limit based on the lesser of inflation or 1 percent.

The state property tax rate in calendar year 2017 was \$1.89 per \$1,000 of AV. Last year, with the enactment of EHB 2242, an additional state property tax was authorized beginning in calendar year 2018 that brings the total aggregate state property tax rate to \$2.70 per \$1,000 AV. The new state property tax is deposited in the GFS. Under EHB 2242, the 1 percent revenue growth limit is also suspended for state taxes levied for collection in calendar year 2018 through 2022.

Property tax statements are mailed by the county treasurer in February of each year. To avoid interest and penalties, at least half of the amount due must be paid by April 30 and the balance is due by October 31. If the tax is less than \$50 it must be paid in full by April 30.

Budget Stabilization Account (BSA). In 2007, the voters ratified a constitutional amendment that created the BSA—Article VII, section 12 of the Constitution. Each year, the state treasurer must deposit 1 percent of general state revenues (GSR) into the BSA. The term GSR is defined in the Constitution and is generally synonymous with the statutory GFS. In general, appropriations from the BSA require a three-fifths majority in each house of the Legislature, but in the case of a catastrophic event or low employment growth, the Legislature may appropriate from the BSA with a constitutional majority vote of each house.

In 2011, the voters ratified an amendment to Article VII, section 12 that required further deposits into the BSA. In biennia in which the state experiences extraordinary revenue growth (ERG), an amount equivalent to three-quarters of the ERG must be transferred to the BSA. ERG is defined as the amount by which the percentage growth of GSR in that biennium exceeds by more than one-third the average percentage growth in GSR over the five previous biennia. ERG is transferred only to the extent that it exceeds the required 1 percent transfer, and it is not transferred in a biennium that follows a fiscal biennium in which employment growth averaged less than 1 percent per fiscal year.

Education Legacy Trust Account. The Education Legacy Trust Account (ELTA) was created in 2005. Currently, the Washington estate tax is the sole source of revenue for the account. Money in the ELTA can only be used for K-12 and higher education. Revenues deposited into ELTA are not considered GSR for purposes of the budget stabilization account.

Summary of Engrossed First Substitute Bill: In calendar year 2019, the state property tax is lowered from \$2.70 to \$2.40 per \$1,000 AV. This corresponds to a property tax reduction of approximately \$390 million in calendar year 2019.

In fiscal year 2019, \$935 million of state property taxes are redirected into ELTA.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: The current economic environment is right to lower property taxes. Property owners only see their total property tax bill. This bill will help school districts trying to pass local levies. The bill reduces property taxes without reducing local school district levies.

Persons Testifying: PRO: Senator Mark Mullet, Prime Sponsor; Dan Steele, Washington Association of School Administrators, Washington Association of School Business Officials.

Persons Signed In To Testify But Not Testifying: No one.