FINAL BILL REPORT

SSB 5495

C 96 L 99
Synopsis as Enacted

Brief Description: Modifying a restriction on regular property tax levies.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Snyder and Zarelli).

Senate Committee on Ways & Means
House Committee on Finance

Background: In 1971, the Legislature limited a taxing district's property tax levy beginning in 1973 to a 6 percent increase over its highest levy in the preceding three years, plus an amount equal to the tax on new construction occurring in the previous year. As originally enacted, a taxing district that had not levied in the previous three years would not be able to levy a tax in subsequent years. In 1979, the Legislature provided that a taxing district that had not levied in the preceding three years that elected to restore its levy could use the amount that could have been levied in 1973, plus an amount equal to the tax on new construction occurring since 1973.

In the early 1980s, because of this revenue limitation, taxing districts were maintaining high levies to protect their future levy capacity. To remove the incentive to maintain a high levy and to protect future levy capacity, in 1986 the Legislature allowed a taxing district's levy to be based on the district's maximum allowable levy since 1986 rather than on its actual levy. However, a taxing district that has levied since 1985 but that has not levied in the three most recent years loses the levy capacity protection and must use the 1973 value.

Summary: A taxing district that has levied since 1985 but that has not levied in the three most recent years does not lose its levy capacity protection. For a taxing district that has not levied since 1985 that elects to restore its levies, the restored levy is limited to the taxing district's last levy instead of the amount it could have levied in 1973, plus an amount equal to the tax on new construction occurring since the last levy.

Votes on Final Passage:

Senate	46	0
House	93	0

Effective: July 25, 1999