

HOUSE BILL REPORT

HB 2519

As Passed Legislature

Title: An act relating to county property tax levies for criminal justice purposes.

Brief Description: Authorizing voter approved property tax levies for criminal justice purposes.

Sponsors: By Representatives Hatfield, Blake, Crouse and Kagi.

Brief History:

Committee Activity:

Finance: 2/5/04, 2/6/04 [DP].

Floor Activity:

Passed House: 2/16/04, 94-3.

Senate Amended.

Passed Senate: March 4, 2004, 45-0.

House Concurred.

Passed House: 3/9/04, 87-6.

Passed Legislature.

Brief Summary of Bill

- Authorizes small counties to impose a new multi-year regular property tax of 50 cents per thousand dollars of assessed property value, subject to approval by a super majority of voters, for criminal justice purposes.
- Provides that the new taxing authority is not subject to the same aggregate rate limitation imposed on other junior and senior taxing districts, but that the new authority must be reduced if the 1 percent constitutional limitation on regular levies is exceeded.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 6 members: Representatives McIntire, Chair; Hunter, Vice Chair; Cairnes, Ranking Minority Member; Conway, Morris and Santos.

Minority Report: Do not pass. Signed by 2 members: Representatives Orcutt, Assistant Ranking Minority Member; and Roach.

Staff: Mark Matteson (786-7145).

Background:

Property taxes are levied by state and local governments. The county assessor determines assessed value for each property. The county assessor also calculates the tax rate necessary to raise the correct amount of property taxes for each taxing district. The assessor calculates the rate so the individual district rate limit, the district revenue limit, and the aggregate rate limits are all satisfied. The property tax bill for an individual property is determined by multiplying the assessed value of the property by the tax rate for each taxing district in which the property is located. The assessor delivers the county tax roll to the treasurer. The county treasurer collects property taxes based on the tax roll starting February 15 each year.

The sum of property tax rates is limited by the State Constitution to a maximum of 1.0 percent of true and fair value, or \$10 per \$1,000 of market value. Property taxes that are subject to this 1 percent limitation are referred to as regular property taxes. Generally, there are no voting requirements with respect to regular property taxes, which are levied annually. However, there are several exceptions, including requirements for emergency medical service districts, park and recreation districts, and cultural arts, stadium and convention districts, in which regular property taxes may be levied for periods of six years or more. The regular levies for these districts require approval of 60 percent of the voters in the district.

The Legislature has established caps on individual district rates and on the aggregate rate so as to keep the total tax rate for regular property taxes within the constitutional 1 percent limit. For example, the state levy rate is limited to \$3.60 per \$1,000 of assessed value, county general levies are limited to \$1.80 per thousand, county road levies are limited to \$2.25 per thousand, and city levies are limited to \$3.375 per thousand. These districts are known as "senior" districts. Junior districts such as fire, library, and hospital districts each have specific rate limits as well. The tax rates for most of these senior and junior districts must fit within an overall rate limit of \$5.90 per \$1,000 of value. There is a complex system of prorating the various levies so that the total rate does not exceed \$5.90. Under this prorating system, senior districts are given preference over junior districts.

A few regular property tax levies are not placed into the \$5.90 aggregate rate limit for senior and junior districts: county ferry service, emergency medical service, affordable housing, conservation futures, and a portion of a metropolitan park district's rate. However, these districts are subject to reduction if the total aggregate rate for these districts, the state property tax, and the districts subject to the \$5.90 limit together exceed \$10 per \$1,000 of market value.

In addition to the rate limitations, a district's regular property tax levy is limited by a statutory maximum growth rate in the amount of tax revenue that may be collected from year to year. The voters amended this revenue limit most recently with the passage of Initiative 747 in November 2001. The limit requires a reduction of property tax rates as necessary to limit the growth in the total amount of property tax revenue received to the lesser of 1 percent or inflation, generally. The revenue limitation does not apply to new value placed on tax rolls attributable to new construction, to improvements to existing property, or to changes in state-assessed valuation.

In 1995 and 1997, with respect to the state property tax levied for collection in 1996 and 1997, the Legislature enacted temporary reductions of 4.7187 percent of the amount that would have otherwise been allowed for collection. To avoid the possibility that local districts' levies could increase to backfill the state reduction, the Legislature enacted provisions instructing county assessors to calculate the aggregate tax rate for property using a hypothetical state levy amount that ignored the 1996 and 1997 reductions. However, as part of the approval of Referendum 47 in 1998, the state levy reduction was made permanent, making moot the use of a hypothetical amount for calculation purposes.

Summary of Bill:

Counties with population of 90,000 or less are authorized to impose a new regular property tax of up to 50 cents per thousand dollars of the assessed value of property in the county. The funds are to be used for criminal justice purposes only. The new authority is not subject to the \$5.90 per thousand dollars of assessed value limitation that applies to other junior and senior districts but is subject to the 1 percent of true and fair value limitation. Tax may be imposed for up to six consecutive years, but only after approval of 60 percent of the voters voting on the proposition at a general or special election. Any new tax that is imposed is subject to prorationing requirements under the 1 percent limitation and must be reduced before other levy types are reduced if the tax rate exceeds 1 percent of true and fair value.

Obsolete statutory language is deleted.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2004.

Testimony For: This does not expand other authority. In Pacific County, since the passage of Initiative 695 and other tax cutting measures in the last few years, the revenue situation is beyond a crisis.

We need to sustain basic law enforcement services. Since the elimination of motor vehicle excise tax funding and a decline of timber excise tax revenues, our revenues have declined. We've had to eliminate 35 positions and cut our budget by 20 percent. Criminal justice related expenditures accounts for 70 percent of our budget. Yet demands have increased even as revenue has decreased. The sales tax option passed last year is not viable in border counties, as local retailers have vigorously opposed such increases for years.

We have spent the last five years trying to obtain funding from all sources, federal, state, and local, but with very limited success. We've had to deal with success in Pierce County of a crackdown on methamphetamine laboratories, which has meant that people have set up labs here.

We are asking for ownership of the situation, which does not result from a lack of will, just from a lack of funding. We desperately want to provide the services that will allow for safe communities and safe schools.

We are a tourism-based economy. We have tried to create and maintain a safe environment, but are burdened by what is happening in the economy.

This does not impact the state levy or jeopardize funding for other districts. It does provide us a last chance for survival.

Testimony Against: None.

Persons Testifying: (In support) Representative Hatfield, prime sponsor; Jon Kaino and John Didion, Pacific County; Ken Ramsey, City of Long Beach; and Debbie Wilke, Washington Association of County Officials.

Persons Signed In To Testify But Not Testifying: None.