

HOUSE BILL REPORT

HB 1344

As Reported by House Committee On: Finance

Title: An act relating to extending the period for which a bond levy may be increased.

Brief Description: Extending the period for which a bond levy may be increased.

Sponsors: Representatives Dolan, Nealey, Doglio, Springer, Frame, Riccelli, Appleton, Ryu, Ormsby and Goodman.

Brief History:

Committee Activity:

Finance: 1/24/17, 2/3/17 [DPS].

<h4>Brief Summary of Substitute Bill</h4>

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| <ul style="list-style-type: none">• Extends the period in which bond levies may be increased with a levy lid lift from nine years to 25 years. |
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HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Lytton, Chair; Frame, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Dolan, Pollet, Springer, Stokesbary and Wilcox.

Staff: Richelle Geiger (786-7139).

Background:

All property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law.

The Washington Constitution limits regular property tax levies (regular levies) to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value). The Legislature has established individual district rate maximums and aggregate rate maximums to keep the total tax rate for regular property taxes within the constitutional limit.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The annual growth of regular levy revenue is limited to the lesser of inflation or 1 percent, plus the value of new construction for jurisdictions with a population of 10,000 or more. For jurisdictions with a population less than 10,000, revenue growth is limited to 1 percent.

Jurisdictions levying a property tax rate less than their statutory maximum may exceed the levy growth limit for a defined period of time with approval from a simple majority of the district's voters. The ballot title must contain the proposed levy rate for the first year of the lid lift and may include a dedicated purpose for the proceeds. Levies may exceed the revenue limit for one year, defined as a single year lid lift, or up to six consecutive years, defined as a multiple year lid lift.

Additionally, the impact of the lid lift can temporarily or permanently impact future levy calculations. If the impact is temporary, the levy limit in future years will be calculated as though a lid lift never occurred. If the impact is permanent, the final levy is used to calculate the future levy limit. The lid lift is temporary unless the ballot title specifies the lid lift will permanently impact levy calculations. If the lid lift proceeds are dedicated to pay bond service, the duration of the increased levy cannot exceed nine years.

Summary of Substitute Bill:

The period in which bond levies may be increased with a levy lid lift is extended from nine years to 25 years for the county in which the state capitol is located. The bill applies to taxes levied for collection in 2018 and thereafter.

Substitute Bill Compared to Original Bill:

The period in which bond levies may be increased with a levy lid lift is increased from 20 years to 25 years. Additionally, the extended period in which a bond levy can be increased can only be utilized by a county in which the state capitol is located. All other taxing districts remain subject to current law.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The nine-year period in which a bond levy can be increased with a lid lift was instituted in 1989. This bill updates that law to permit counties to increase their levy rate with a lid lift to 30 years, a common length to repay a bond.

The bill gives voters an opportunity to chose if they would like their county to generate revenue for a large project with a bond levy, with an increased property tax rate.

Thurston County was planning to build a new courthouse and found a nine-year period of increased levy rates was not enough to pay the necessary bond payments to fund the projects. If the County attempted to raise all of the necessary money within nine years, this would put a financial burden on their taxpayers. The bill has the full support of the Thurston County Commission.

(Opposed) None.

Persons Testifying: Representative Dolan, prime sponsor; and Robin Campbell and John Hutchings, Thurston County.

Persons Signed In To Testify But Not Testifying: None.