

HOUSE BILL REPORT

ESSB 6614

As Passed House:
March 8, 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:

Finance: 3/8/18 [DP].

Floor Activity:

Passed House: 3/8/18, 59-39.

Brief Summary of Engrossed Substitute Bill

- Reduces the aggregate state property tax levy rate from \$2.70 per \$1,000 of assessed value (AV) to \$2.40 per \$1,000 of AV for taxes levied for collection in calendar year 2019.
- Redirects \$935 million of the revenue generated by the additional state levy to the Education Legacy Trust Account in fiscal year 2019.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 6 members: Representatives Lytton, Chair; Frame, Vice Chair; Dolan, Pollet, Springer and Wylie.

Minority Report: Without recommendation. Signed by 3 members: Representatives Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Stokesbary.

Minority Report: Do not pass. Signed by 1 member: Representative Condotta.

Staff: Richelle Geiger (786-7139).

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.

Background:

State Property Tax Levies.

All real property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The annual growth of all regular property tax levy revenue other than the state levies is limited as follows:

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

The state collects two regular property tax levies for common schools. The original state levy was first imposed when Washington achieved statehood in 1889. In 2017 the Legislature adopted Engrossed House Bill 2242, which created the additional state levy. For taxes levied for collection in calendar years 2018–2021, the combined rate for both state levies is \$2.70 per \$1,000 of assessed value (AV). The revenue growth limit does not apply to the state levies during this time. Beginning with taxes levied for collection in calendar year 2022 and thereafter, the revenue growth limit applies to both levies. Participants in the senior citizens, individuals with disabilities, and qualifying veterans property tax exemption programs receive a partial exemption from the original state levy and a full exemption from the additional state levy. The revenue generated by both state levies is deposited into the State General Fund.

Education Legacy Trust Account.

The Education Legacy Trust Account is an appropriated account that may only be used for the support of the common schools and for expanding access to higher education through funding for new enrollments, financial aid, and other improvement efforts.

Summary of Bill:

The combined state levy rate is reduced to \$2.40 per \$1,000 of AV for taxes levied for collection in 2019. The original state levy rate is unchanged by the bill. The additional state levy rate is set to the rate necessary to bring the aggregate rate to \$2.40 per \$1,000 of AV for taxes levied for collection in 2019.

In fiscal year 2019, \$935 million of the revenue generated by the additional state levy is redirected to the Education Legacy Trust Account.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) None.

(Opposed) This bill avoids saving money in the "rainy day fund." This is a dangerous precedent for future legislatures. The "rainy day fund" balance is already too low. During times of economic prosperity, the state should be putting funds away to help it survive future recessions. Additionally, this will hurt the state's credit rating. The State Treasurer's Office does not believe this bill is in line with the voters' will.

It is laudable that the bill waits until 2019 to provide property tax relief. Reducing the property tax rate in 2018 would be challenging to administer.

Persons Testifying: Anthony Hemstad, State Treasurer's Office.

Persons Signed In To Testify But Not Testifying: None.