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HOUSE BILL 1764

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State of Washington

65th Legislature

2017 Regular Session

By Representatives Lytton, Koster, Springer, Nealey, Senn, Harris, Kloba, Frame, Tharinger, Tarleton, and Slatter

Read first time 01/27/17. Referred to Committee on Finance.

1 AN ACT Relating to replacing the one percent property tax revenue  
2 limit with a limit tied to cost drivers; amending RCW 84.55.005;  
3 creating new sections; and repealing RCW 84.55.0101.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** (1) The legislature finds that it has been  
6 ten years since the legislature restricted property tax increases to  
7 one percent, a restriction known as the limit factor. The limit  
8 factor as it currently exists does not account for inflation or  
9 population growth, and local government revenues continue to lag  
10 behind ever rising public demand for services and the increasing cost  
11 of providing those services. In the ten years since imposition of the  
12 limit factor, local governments have become more efficient but have  
13 been required to make additional reductions in services and staff  
14 which have severely eroded their ability to provide the public health  
15 and safety, infrastructure investment, and core services the  
16 residents of Washington desire. These negative impacts have included  
17 delayed criminal justice proceedings and public safety response  
18 times, the elimination of safety and security enhancements for jails  
19 and courthouses, reductions in the number of police and deputies on  
20 the road, caps on the number of inmates booked into local jails, cuts  
21 to law enforcement training, closed parks and offices, longer lines

1 for services such as building permits and document recording, and  
2 infrastructure deficits that compromise tools to deal with population  
3 and job growth.

4 (2) The legislature finds that open, public decisions that are  
5 made and are accountable at the local level are a basic foundation of  
6 our nation. The legislature recognizes that statutory actions such as  
7 the limit factor provide an important fiscal safeguard for Washington  
8 voters, as do similar constitutional limitations. The legislature  
9 does not intend to remove statutory limits on local government  
10 property taxes. It is the legislature's intent to establish a new  
11 statutory limit factor which is responsive to the additional public  
12 demand for service and associated costs. The legislature finds that  
13 inflation and population growth more closely track those demands and  
14 costs than the current arbitrary limit factor.

15 **Sec. 2.** RCW 84.55.005 and 2014 c 97 s 316 are each amended to  
16 read as follows:

17 The definitions in this section apply throughout this chapter  
18 unless the context clearly requires otherwise.

19 (1) ~~"Inflation" means the ((percentage change in the implicit~~  
20 ~~price deflator for personal consumption expenditures for the United~~  
21 ~~States as published for the most recent twelve-month period by the~~  
22 ~~bureau of economic analysis of the federal department of commerce by~~  
23 ~~September 25th of the year before the taxes are payable;~~

24 ~~(2) "Limit factor" means:~~

25 ~~(a) For taxing districts with a population of less than ten~~  
26 ~~thousand in the calendar year prior to the assessment year, one~~  
27 ~~hundred one percent;~~

28 ~~(b) For taxing districts for which a limit factor is authorized~~  
29 ~~under RCW 84.55.0101, the lesser of the limit factor authorized under~~  
30 ~~that section or one hundred one percent;~~

31 ~~(c) For all other districts, the lesser of one hundred one~~  
32 ~~percent or one hundred percent plus inflation; and~~

33 ~~(3)) annual percentage increase in the consumer price index for~~  
34 ~~all urban consumers (CPI-U) in the western region for all items as~~  
35 ~~provided for the most recent twelve-month period by the bureau of~~  
36 ~~labor statistics of the United States department of labor by July~~  
37 ~~25th of the year before the taxes are payable.~~

38 (2) "Limit factor" means the greater of:

1 (a) One hundred percent plus population change and inflation, but  
2 not to exceed one hundred five percent; and

3 (b) One hundred one percent.

4 (3)(a) "Population change" means the percent increase in  
5 population of a taxing district between the two most recent years  
6 provided in the official population estimates published by the office  
7 of financial management in April of the year before the taxes are  
8 payable. If the office of financial management estimates a net  
9 decrease in a taxing district's population, for the purposes of this  
10 section, the population change will be zero. The population of a  
11 county taxing district means the population within the county's  
12 incorporated and unincorporated areas. For taxing districts that are  
13 not coterminous with one or more cities, towns, counties, or  
14 unincorporated county areas, or any combination thereof, as provided  
15 in the official population estimates published by the office of  
16 financial management in April of the year before the taxes are  
17 payable, "population change" means:

18 (i) The city population change for the city in which the taxing  
19 district is wholly located;

20 (ii) The population change for the county in which the taxing  
21 district is wholly located; or

22 (iii) For districts located in more than one county, the county  
23 population change for the county in which the greatest total taxable  
24 assessed value of the taxing district for the prior assessment year  
25 is located.

26 (b) For the purposes of this subsection (3), the annual percent  
27 increase in population is calculated to the nearest tenth of one  
28 percent, rounding up to the next tenth of one percent if the second  
29 decimal place of the annual percent increase is five or greater.

30 (4) "Regular property taxes" has the meaning given it in RCW  
31 84.04.140.

32 NEW SECTION. Sec. 3. RCW 84.55.0101 (Limit factor—Authorization  
33 for taxing district to use one hundred one percent or less—Ordinance  
34 or resolution) and 2007 sp.s. c 1 s 2 & 1997 c 3 s 204 (Referendum  
35 Bill No. 47) are each repealed.

1        NEW SECTION.    **Sec. 4.**    This act applies to taxes levied for  
2    collection in 2018 and thereafter.

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