

# HOUSE BILL REPORT

## HB 1518

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### As Reported by House Committee On:

Finance

**Title:** An act relating to voter-approved increases in excess of the property tax revenue limit.

**Brief Description:** Modifying property tax revenue limit provisions.

**Sponsors:** Representatives Carrell, Kirby, McIntire, Dunshee, Schindler, Sommers, Miloscia, Cooper, Fromhold, Sehlin, Simpson and Santos.

### Brief History:

#### Committee Activity:

Finance: 2/11/03, 3/7/03 [DPS].

#### Brief Summary of Substitute Bill

- Allows voters to approve an increased growth rate for the 1 percent property tax revenue limit for up to six 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 5 members: Representatives Gombosky, Chair; McIntire, Vice Chair; Conway, Morris and Santos.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Cairnes, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern and Roach.

**Staff:** Rick Peterson (786-7150).

### Background:

Property taxes are imposed 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 annual increase in district property taxes is restricted by the property tax revenue limit. This limit requires the district's tax rate to be reduced as necessary to limit the total amount of property taxes to the highest property tax amount in the three most recent years, plus 1 percent, plus an amount equal to last year's tax rate multiplied by the value of new construction in the district. This limit acts to reduce district rates below the maximum rate allowed for the district.

The district's revenue limit may be exceeded upon the majority vote of the people. This exception to the limit is called a "lid lift." Voters may approve a permanent lid lift, a lid lift for a period of years, limit the purpose of the lid lift, or set the rate at less than the maximum allowed. When the time period for a lid lift is completed the district's property tax levy reverts to the amount that would have been allowed under the 1 percent revenue limit had the lid lift not been in place.

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**Summary of Substitute Bill:**

Property taxing districts may ask voters to approve a lid lift which sets the growth rate for the property tax revenue limit calculation for up to six years. The growth rate may be fixed, variable, or linked to an index, such as the consumer price index. Districts may use the property tax amount at the end of lid lift period as the base for future calculations of the 1 percent revenue limit.

**Substitute Bill Compared to Original Bill:**

The substitute reduces the time period for which the property tax levy may have annual increases greater than one percent from 10 years to six years. The substitute makes clear that the ballot measure refers to the factor by which the property tax levy limit is increased rather than an increase in the tax rate.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** This bill is part of a package of bills that will provide for additional flexibility for local property taxing districts. It allows multi-year increases in the property tax growth rate with voter approval. It avoids the need to go to voters every year and reduces the uncertainty and costs of elections. Cities will lose \$457.7 million in operating revenue over the period 2002-07 due the effect of I-747. Property tax represents over 40 percent of the revenue for counties. The 1 percent growth allowed doesn't meet obligations under labor contracts and for costs of the criminal justice system. Criminal justice is 70 percent of the budget and grows at 6 to 7 percent per year. The bill needs to be clarified so that it refers to an increase in the levy amount rather than a rate increase.

**Testimony Against:** None.

**Testified:** Stan Finkelstein, Association of Washington Cities; Debbie Wilke, Washington Association of County Officials; and Bill Vogler, Washington State Association of Counties.

(Comments) Scott Noble, Washington State Association of County Assessors.