

FINAL BILL REPORT

HB 2519

C 80 L 04

Synopsis as Enacted

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

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

House Committee on Finance

Senate Committee on Ways & Means

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 the taxing authority for emergency medical service districts, park and recreation districts, and cultural arts, stadium and convention districts. In these types of districts, 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 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 subject to 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' rates 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 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.

Structural changes to state and local taxing authority as a result of the passage of Initiative 695 in 1999 and Initiative 747 in 2001 have reduced the amount of revenue available to local governments for general as well as certain specific purposes, including criminal justice. From 1999 to 2002, general and special fund revenues at the county level grew at an annual rate of 3.7 percent, while county law and justice expenditures grew at an annual rate of 6.6 percent.

Summary:

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.

Votes on Final Passage:

House	94	3	
Senate	45	0	(Senate amended)
House	87	6	(House concurred)

Effective: July 1, 2004