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## Local Government Committee

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### SB 5136

**Brief Description:** Modifying fire protection district property tax levies.

**Sponsors:** Senators Doumit, Mulliken, Zarelli and Rasmussen.

#### Brief Summary of Bill

- Protects 25 cents of a fire district's property tax levy from reduction under the \$5.90 property tax rate limit on levies by senior and junior taxing districts, provided this protection does not result in an aggregate tax levy exceeding the limits prescribed in the State Constitution.

**Hearing Date:** 3/21/05

**Staff:** CeCe Clynch (786-7168).

#### 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 county 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 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 tax levies. The Constitution provides a procedure for voter approval for tax rates that exceed the 1 percent limit. These taxes are called "excess" levies.

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. 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 these 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. State statutes contain schedules specifying the preferential order in which the various junior taxing district levies will be prorated in the event that the \$5.90 limit is exceeded. Under this prorating system senior districts are given preference over junior districts.

A few regular property tax levies are not placed into the \$5.90 aggregate rate limit: emergency medical service, affordable housing, conservation futures, and a portion of a metropolitan park district's rate. However, these districts are subject to reduction if the rates for these districts, the state property tax, and the districts subject to the \$5.90 limit together exceed the constitutional limit of \$10 per \$1,000 of market value.

As noted earlier, fire districts are categorized as "junior districts" and, therefore, are subject to the statutory provisions that include such districts within the \$5.90 aggregate rate limit. However, in the statutory schedule determining the order of proration, fire districts are treated preferentially, insofar as they are listed last among the junior districts in the order of proration.

**Summary of Bill:**

Special protection against proration of fire district tax levies.

Fire district tax levies receive partial protection in the event proration becomes necessary among the various junior and senior taxing districts. Specifically, should proration be required, fire districts are allowed to continue to receive a total of 25 cents per \$1000 of the assessed value of the applicable tax levies even if the total amount of the junior and senior tax levies exceed the \$5.90 aggregate rate limit.

Exception to fire district tax levy protections.

However, the act specifies that the special protection afforded fire district tax levies, as described above, will be reduced to the extent necessary to ensure that the total tax rate does not exceed the 1 percent per \$1000 of assessed value limit prescribed by the Washington State Constitution.

The act applies to taxes levied for collection in 2006 and thereafter.

**Appropriation:** None.

**Fiscal Note:** Available.

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