

HOUSE BILL REPORT

HB 1369

As Reported by House Committee On:
Finance

Title: An act relating to voter-approved regular property tax levies.

Brief Description: Modifying requirements for voter-approved regular property tax levies.

Sponsors: Representatives Linville, Armstrong, Ericks, Grant and Simpson.

Brief History:

Committee Activity:

Finance: 2/9/07, 3/1/07 [DP].

Brief Summary of Bill

- Allows all taxing districts with regular levying authority to seek multiyear lid lifts, up to a maximum of six years.
- Allows funds obtained from multiyear lid lifts to supplant existing funding for the purposes specified on the ballot measure.
- Requires after the expiration of the multiyear lid lift that future levies be calculated as if the lid lift had not been enacted.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 6 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Conway; Ericks, McIntire and Santos.

Minority Report: Do not pass. Signed by 3 members: Representatives Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member and Roach.

Staff: Mark Matteson (786-7145).

Background:

The constitution limits the sum of property tax rates to a maximum of 1 percent of true and fair value, or \$10 per \$1,000 of value. Levies that are subject to the 1 percent rate limitation

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are known as "regular" levies. Other levies are not subject to the 1 percent limit, but require supermajority voter approval; these are called "excess" levies.

A property taxing district's regular property tax levy is limited by a statutory maximum growth rate in the amount of tax revenue that may be collected from year to year. The limit requires a reduction of property tax rates as necessary to limit the growth in the total amount of property tax revenue received to the lesser of 1 percent or inflation, generally. The revenue limitation does not apply to new value placed on tax rolls attributable to new construction, to improvements to existing property, to changes in state-assessed valuation, or to construction of certain wind turbines. In areas where property values have grown more rapidly than 1 percent per year, the 101 percent revenue limit has caused district tax rates to decline below the maximum rate.

The revenue limit for regular property taxes may be superseded by voter approval; this process is known as a "lid lift." Lid lifts require approval by a majority of the voters in a taxing district, and allow the district to set its levy in an amount for the next year that exceeds 101 percent of the previous year's tax, as long as the resulting tax rate is within the statutory rate limit. Counties, cities, and towns may seek multiyear lid lifts, in which voters may approve a rate of growth or equivalent dollar amount in excess of the 101 percent limit for each year for up to six years. The ballot title must state the purpose for which the lid lift funds are to be used, and the moneys thus raised may not be used to supplant existing funds used for the same purpose. These multiyear lid lifts may be proposed only at a primary or general election.

In seeking a lid lift, the jurisdiction may include several conditions in its proposition to the voters. The proposal may limit the time period for which the increased levy is to be made; limit the levy's purpose; set the levy at a rate less than the maximum rate allowed; provide that the maximum allowable dollar amount of the final levy will serve as the base from which future levies are calculated; or a combination of these conditions.

If the ballot measure does not provide otherwise, and after the conditions of the proposition are met, future levies are to be calculated as if the proposition had not been enacted, and the district had levied taxes at the highest allowable rate during the time that the lid lift was in effect.

Summary of Bill:

Any property taxing district with regular levying authority may seek multiyear lid lifts over a six-year period in the same manner as counties, cities, and towns. The requirement that funds may not supplant existing funding for the purpose specified on the ballot is eliminated. The authority to provide, in the ballot measure, that the final year levy may be used as the base to calculate future year levies is eliminated.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) My fire district protects 150,000 citizens in an area of 41 square miles in South King County, dealing with a wide variety of incidents. We cannot live within the 1 percent lid enacted by Initiative 747, because this does not allow us to maintain our current level of service. So we have to run lid lifts, and have from 2001 to 2006. Our citizens have overwhelmingly supported us all six years. But those six lid lifts have cost our fire district and citizens \$500,000. I could have used that money for much better things. Our citizens have told me many times that they wish they could vote on these lid lifts for more than one year at a time. They want the opportunity to vote. Please allow them to do this and save some money in the process.

(Opposed) None.

Persons Testifying: Al Church, South King Fire and Rescue and Washington Fire Chiefs; Jim Justin, Association of Washington Counties; Steve Duncan, Washington Library Association; and Ryan Spiller, Washington Fire Commissioners.

Persons Signed In To Testify But Not Testifying: None.