

# FINAL BILL REPORT

## ESB 5498

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Synopsis as Enacted

**Brief Description:** Revising voter-approved funding sources for local taxing districts.

**Sponsors:** Senators Regala, Clements, Morton, Brandland, Pridemore, Delvin, Prentice, Hatfield and Rasmussen.

**Senate Committee on Government Operations & Elections**

**Senate Committee on Ways & Means**

**House Committee on Finance**

**Background:** In addition to the constitutional 1 percent limit on increase to the total rate of tax per parcel of property, there is a statutory 1 percent limit on the amount of revenue that any taxing district can collect compared to what it collected in prior years. Under this revenue "lid," the amount of revenue collected from a regular (i.e., non-voter-approved) property tax levy can not be more than 1 percent above the highest one year amount collected in the past three years. The only exception is if the voters in the district approve a "lid lift," which allows voters in a district to agree to tax themselves above the lid. Prior to 2003, such a "lid lift" could be for only one year.

In 2003, voters in counties, cities, and towns were allowed to approve by majority vote in a primary or general election a resolution for a levy lid lift for up to six consecutive years. Each year's maximum legal levy is the base for the following year. The resolution must state the dollar rate of the increase for the first year. For the following years, the resolution must state the limit factor of the increase, or the index for determining a limit factor, such as the consumer price index. Funds raised under this levy cannot supplant existing funds used for the same purpose.

County voters may also approve by majority vote in a primary or general election a county sales and use tax. That tax cannot exceed three-tenths of 1 percent of the sale price, and the funds raised may not supplant existing funds used for the same purpose.

**Summary:** Authority for a levy lid lift that lasts up to six years is available to any taxing district. For levy lid lifts and the county sales and use tax, the definition of "existing funds" is modified to exclude losses due to lost grants or loans, extraordinary events, certain changes in contract terms, or major nonrecurring capital expenditures.

**Votes on Final Passage:**

Senate	46	0
House	74	23

**Effective:** July 22, 2007