

# HOUSE BILL REPORT

## HB 2993

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### As Reported by House Committee On: Finance

**Title:** An act relating to transferring nine hundred ninety-five million eight hundred two thousand dollars from the budget stabilization account to the state general fund to offset the revenue impact of reducing the combined rate for state property tax levies to 2.365 dollars per thousand dollars of assessed value for taxes levied for collection in calendar year 2019 and to two dollars and thirty cents per thousand dollars of assessed value for taxes levied for collection in calendar year 2020.

**Brief Description:** Transferring nine hundred ninety-five million eight hundred two thousand dollars from the budget stabilization account to the state general fund to offset the revenue impact of reducing the combined rate for state property tax levies to 2.365 dollars per thousand dollars of assessed value for taxes levied for collection in calendar year 2019 and to two dollars and thirty cents per thousand dollars of assessed value for taxes levied for collection in calendar year 2020.

**Sponsors:** Representatives Sullivan, Lytton, Ortiz-Self and Pollet.

#### **Brief History:**

##### **Committee Activity:**

Finance: 2/22/18, 2/24/18 [DP].

#### **Brief Summary of Bill**

- Reduces the aggregate state property tax levy rate from \$2.70 per \$1,000 of assessed value (AV) to \$2.365 per \$1,000 AV for taxes levied for collection in 2019 and to \$2.30 per \$1,000 AV for taxes levied for collection in 2020.
- Transfers \$995.802 million from the Budget Stabilization Account to the State General Fund to offset the revenue impact of the state property tax reduction.

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#### **HOUSE COMMITTEE ON FINANCE**

**Majority Report:** Do pass. Signed by 6 members: Representatives Lytton, Chair; Frame, Vice Chair; Dolan, Pollet, Springer and Wylie.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Minority Report:** Do not pass. Signed by 5 members: Representatives Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Stokesbary and Wilcox.

**Staff:** Richelle Geiger (786-7139).

**Background:**

All real property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The annual growth of all regular property tax levy revenue other than the state levies is limited as follows:

- For jurisdictions with a population of less than 10,000, revenue growth is limited to 1 percent.
- For jurisdictions with a population of 10,000 or more, revenue growth is limited to the lesser of inflation or 1 percent plus the value of new construction.

The state collects two regular property tax levies for common schools. The original state levy was first imposed when Washington achieved statehood in 1889. In 2017 the Legislature adopted Engrossed House Bill 2242, which created the additional state levy. For taxes levied for collection in calendar years 2018–2021, the combined rate for both state levies is \$2.70 per \$1,000 of assessed value (AV). The revenue growth limit does not apply to the state levies during this time. Beginning with taxes levied for collection in calendar year 2022 and thereafter, the revenue growth limit applies to both levies. Participants in the senior citizen, individuals with disabilities, and qualifying veterans property tax exemption program receive a partial exemption from the original state levy and a full exemption from the additional state levy.

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**Summary of Bill:**

The combined state levy rate is reduced for taxes levied for collection in 2019 and 2020. The original state levy, authorized in RCW 84.52.065(1), is the rate necessary to bring the combined state levy rate to \$2.365 per \$1,000 AV for taxes levied for collection in 2019 and \$2.30 per \$1,000 AV for taxes levied for collection in 2020. The additional state levy, authorized in RCW 84.52.065 (2), is set at the actual rate that was levied for collection in calendar year 2018.

During the 2017–19 biennium, a total transfer of \$995.802 million is made from the Budget Stabilization Account to the State General Fund to offset the revenue impact of the state property tax reduction.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) None.

(Opposed) None.

(Other) There is not enough publicly available information about the impact of this proposed legislation on the Budget Stabilization Account. It is uncertain whether there will be enough in reserves if the state experiences an economic downturn. Some economists recommend that states should have 15 percent of the state's total budget saved in reserves.

**Persons Testifying:** Clay Hill, Association of Washington Business.

**Persons Signed In To Testify But Not Testifying:** None.