
Local Government Committee

HB 1663

Brief Description: Allowing functionally consolidated port districts to adopt a unified levy.

Sponsors: Representatives Goehner and Steele.

Brief Summary of Bill

- Allows two or more port districts that are jointly operating under a mutual agreement to conduct a joint property tax levy under certain conditions, and provides for the conduct of a joint levy.
- Provides for the division of the assets and liabilities of jointly operating port districts that cease to operate together, in the absence of an agreed division.

Hearing Date: 2/14/23

Staff: Kellen Wright (786-7134).

Background:

Port districts are special purpose districts empowered to acquire, construct, maintain, operate, develop, and regulate harbor improvements; rail or motor transfer and terminal facilities; water transfer and terminal facilities; air transfer or terminal facilities; other commercial transportation, transfer, handling, storage, and terminal facilities; and industrial improvements.

A port district can be formed if at least 10 percent of the registered voters within a county petition for the formation of the district, and the district's formation is approved by voters at an election. A port district may be coextensive with a county. Port districts are governed by commissions of either three or five commissioners.

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

Port districts can charge service fees for the use of their facilities, and can also raise revenue through property tax levies. A property tax is a tax levied on all real and personal property based on the value of the property, unless the property is subject to an exemption. There are two significant limitations on property tax in Washington. The first is a constitutional limitation. Article VII, section 2 of the state Constitution limits the amount of annual tax, from all sources, that may be levied upon property to 1 percent of the total value of that property. This limitation means that, without specific authorization from voters, the maximum tax that can be imposed per \$1,000 of value is \$10. The other limit is statutory. Generally, the amount of property tax levied by a taxing district cannot be increased by more than 1 percent of the amount that was levied the prior year. In other words, the maximum that can be levied is 101 percent of the prior amount. There are additional limits on the aggregate amount of property tax that taxing districts can impose.

A port district can impose an annual levy of up to 45 cents per \$1,000 of assessed value of the taxable property within the district for general port purposes. An additional levy, with voter approval, can be imposed annually at up to the same rate as the general levy for dredging, canal construction, and land leveling or filling. If a port has created an industrial development district within the port, it may also impose a levy for six years at up to the same rate as the general levy for harbor improvements and industrial development. This levy can be reimposed for a subsequent six years with voter approval, and port districts in counties bordering the Pacific Ocean can reimpose the levy for a third and final six-year period with voter approval.

Port districts are authorized to enter into a mutual agreement to jointly exercise the powers granted to each individual district.

Port districts can also consolidate. Consolidation can be initiated in two ways. First, the commissioners of the districts to be consolidated can agree to present a joint consolidation resolution to the voters for approval. Alternatively, at least 10 percent of the voters in each district can petition for consolidation. In either case, the petition or resolution must identify, among other things, the assets and liabilities of the districts, the proposed number of commissioners, and the proposed name of the consolidated district. If a majority of voters in both districts approve consolidation, then the districts are consolidated. The consolidated district has all the powers, including the power to levy and collect taxes, that each of the districts possessed.

If the consolidated port district includes areas from two or more counties, then the principal county auditor and county treasurer of the district are those of the county which has the largest assessed taxable property valuation. When levying taxes within the consolidated district, the ratio of tax imposed within each county must be the same as the ratio of the value of the property in each county.

Summary of Bill:

Two or more port districts that are jointly operating under a mutual agreement may levy and

collect property taxes jointly if:

- the port districts are adjacent, and the districts' boundaries are coextensive with county boundaries;
- the commissioners of each port district have voted by at least a two-thirds majority to conduct a joint levy by July 1 of the year prior to the joint levy;
- the joint tax levy does not exceed the rate at which either port district could individually levy; and
- the rate of the levy is the same in both port districts.

Two or more port districts conducting a joint levy are considered a taxing district for the purposes of property taxation.

When levying the property tax, the port district commissioners must certify the levy amounts to each county auditor, who then provide a certificate to the county commissions of each county specifying the proportion of the taxes to be levied within that county. The county commissioners must then levy a tax to meet their county's proportionate share of the levy. The tax levied in each county must be proportional to the value of the property within each county.

If port districts that were operating together cease to operate jointly, any debts and assets must be divided between the districts as provided for in the agreement for joint operation. If no provision was made in the agreement, then the debts and assets must be divided in the same proportion as the property tax assessments were divided among the districts.

Appropriation: None.

Fiscal Note: Requested on February 7, 2023.

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