
Finance Committee

HB 1670

Brief Description: Raising the limit factor for property taxes.

Sponsors: Representatives Ormsby, Fitzgibbon, Walen, Macri, Senn, Bergquist, Gregerson, Springer, Goodman, Chopp, Bateman, Wylie, Fey, Ryu, Stonier, Riccelli, Reeves, Duerr, Ramel, Alvarado and Pollet.

Brief Summary of Bill
<ul style="list-style-type: none">Changes the 101 percent revenue growth limit for local property taxes to 100 percent plus population changes and inflation, with a capped limit of 103 percent.

Hearing Date: 2/20/23

Staff: Rachelle Harris (253-444-0316).

Background:

All real and personal 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 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

The value of the following add-ons is added in addition to the limit factor:

- new construction;
- construction of wind turbine, solar, biomass, and geothermal facilities;

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- improvements to property;
- increased value of state-assessed property; and
- increased value within a local tax increment financing area.

The state collects two regular property tax levies. The revenue growth limit applies to both state levies and all regular local property tax levies. Excess levies are not subject to this limit and require voter approval.

For purposes of the revenue growth limit, inflation means the percentage change in the implicit price deflator (IPD) for personal consumption expenditures for the United States as published for the most recent 12-month period by the Federal Department of Commerce by September 25 of the year before the taxes are payable. Taxing districts may adopt a resolution of substantial need to levy up to 101 percent if the IPD is less than 1 percent.

Summary of Bill:

For purposes of the revenue growth limit for local property taxes, the limit factor of 101 percent is replaced with a limit factor of 100 percent plus population change and inflation, with a cap of 103 percent.

Inflation is defined as the annual percentage increase in the consumer price index for all urban consumers in the western region for all items as provided for the most recent 12-month period by the United States Department of Labor by July 25 of the year before the taxes are payable.

The term “population change” means the percent increase in the population of a taxing district between the two most recent years provided in the official population estimates published by the Office of Financial Management in April of the year before the taxes are payable. If population decreases, the population change is zero.

The ability for taxing districts with regular levies and a substantial need to adopt a resolution to use the growth factor of 101 percent instead of the IPD if the IPD is less than 1 percent is repealed.

By September 1 of each year, the Department of Revenue must provide county assessors the limit factors. By October 1 of each year, county assessors must determine how the limit factor applies to each taxing district and notify each taxing district.

The changes are applicable for taxes levied for collection in 2024 and thereafter.

Appropriation: None.

Fiscal Note: Available.

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