
Finance Committee

HB 1397

Brief Description: Imposing local property tax levies wholly credited against the state property tax to provide support and services for veterans' assistance and for persons with developmental disabilities or mental health needs.

Sponsors: Representatives Orcutt, Leavitt, Schmick, Jacobsen and Reeves.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Credits the county veteran's assistance levy and the mental health and developmental disabilities levy against the state property tax levy.

Hearing Date: 2/4/25

Staff: Kristina King (786-7190).

Background:

Property Tax—Regular Levies.

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 plus the value of new construction.

The state collects two regular property tax levies for common schools. The revenue growth limit applies to both levies. Participants in the senior citizens, individuals with disabilities, and qualifying veterans' property tax exemption programs receive a partial exemption from the

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original state levy and a full exemption from the additional state levy.

The Washington Constitution also limits regular levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value). There are individual district rate maximums and aggregate rate maximums to keep the total tax rate for regular property taxes within the constitutional limit. For example:

- The state levy rate is limited to \$3.60 per \$1,000 of assessed value.
- County general levies are limited to \$1.80 per \$1,000 of assessed value.
- County road levies are limited to \$2.25 per \$1,000 of assessed value.
- City levies are limited to \$3.375 per \$1,000 of assessed value.

For property tax purposes, the state, counties, and cities are collectively referred to as senior taxing districts. Junior taxing districts—a term that includes fire, hospital, flood control zone, and most other special purpose districts—each have specific rate limits as well.

Property Tax—Prorationing and "The Gap".

The tax rates for senior and junior taxing districts, excluding the state, must fit within an overall rate limit of \$5.90 per \$1,000 of assessed value. If the statutory \$5.90 or constitutional \$10 limit are exceeded, statute establishes the sequential order in which the levies must be proportionally reduced or eliminated (a process referred to as prorationing) to conform to the statutory and constitutional limits.

Some regular property tax levies—including levies for criminal justice purposes, port districts, and emergency medical services—are subject to the \$10 constitutional limit but not the \$5.90 aggregate rate limit. These levies have protections from general prorationing requirements and exist within the "gap" that remains after subtracting the state levy and the \$5.90 in local regular levies from the constitutional \$10 limit per \$1,000 of assessed value.

Property Tax—Excess Levies.

Excess levies are imposed in addition to regular levies and are not subject to the constitutional \$10 limit. Taxing jurisdictions with excess levy authority include local school districts, public facilities districts, and transportation benefit districts. Most excess levies require a 60-percent voter approval. Local school district levies for operation, transportation, and capital projects require simple majority voter approval.

Property Tax—Levy Lid Lift.

Voters may approve regular property tax increases above the revenue growth limit. This voter-approved increase is referred to as a levy lid lift. A levy lid lift may be authorized for a single year or for multiple years, not to exceed six years. A multi-year lid lift must be for a specific purpose.

Veterans' Assistance Levy.

County legislative authorities are required to collect a levy dedicated to a veterans' assistance fund (fund). The fund may only be used for:

- veterans' assistance programs for indigent veterans and families;
- burial or cremation of deceased indigent veterans or deceased family members of indigent veterans; and
- direct and indirect costs incurred in the administration of the fund.

The rate is within the county's maximum general levy rate. The minimum levy rate is 1.125 cents per \$1,000 of assessed value, although the county legislative authority may levy a lesser amount if there are sufficient monies residing in the fund. The maximum levy rate is 27 cents per \$1,000 of assessed value. The county legislative authority may increase or reduce the levy in the same proportion as the regular county property tax levy. As part of the county general levy, the levy is subject to both the \$5.90 per \$1,000 of assessed value and constitutional 1 percent levy limit. The revenue may not grow more than 101 percent per year, unless the voters approve a levy lid lift.

Mental Health and Developmental Disabilities Levy.

County governing authorities are required to annually budget and levy a tax to provide additional funds for the coordination and provision of community services for persons with developmental disabilities or mental health services. The levy rate must be equivalent to 2.5 cents per \$1,000 of assessed value, except as otherwise provided under statute. The Mental Health and Developmental Disabilities (MHDD) levy may be increased or reduced in direct proportion to the prior year's certified county general levy. The county legislative authority may increase or reduce the levy in the same proportion as the regular county property tax levy.

All or part of the funds collected from the MHDD levy may be transferred to the Department of Social and Health Services to serve as matching funds for federal monies to provide and coordinate community services for persons with developmental disabilities and mental health services. For those counties that elect to transfer the MHDD levy to the state, the state must grant the county MHDD funds, and those matching funds received from federal grants to community agencies within the county, in compliance with the plan approved by the county.

Summary of Bill:

The veterans' assistance and the MHDD levies must be deducted from the amount of tax otherwise required to be collected or paid to the Department of Revenue for the state property tax levy, at no cost to the county. The provisions for the levies to be prorated is removed.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2025.