

SENATE BILL REPORT

EHB 2841

As Reported By Senate Committee On:
Ways & Means, March 7, 1996

Title: An act relating to limiting property taxes.

Brief Description: Limiting property tax increases additionally to the rate of inflation.

Sponsors: Representatives Carrell, B. Thomas, Mulliken, Cooke, Hymes, Chandler, Foreman, Hargrove, McMorris, Lambert, Talcott, Mastin, Lisk, Johnson, Clements, Mitchell, Skinner, Sherstad, Koster, K. Schmidt, L. Thomas, Campbell, Smith, Goldsmith, Backlund, Elliot, Boldt, Thompson, McMahan, Dyer, Huff, Carlson, Robertson, Quall, Reams and Hickel.

Brief History:

Committee Activity: Ways & Means: 3/7/96 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Cantu, Drew, Finkbeiner, Fraser, Hargrove, Hochstatter, Johnson, Kohl, Long, McDonald, Moyer, Quigley, Roach, Sheldon, Snyder, Spanel, Strannigan, Sutherland, West, Winsley and Wojahn.

Staff: Terry Wilson (786-7433)

Background: The Constitution limits the amount of property taxes that may be imposed on an individual parcel of property without voter approval to 1 percent of its true and fair value, or \$10 per \$1,000 of assessed value. Of this, the state levy is limited to \$3.60 per \$1,000 of assessed value, equalized to market value, for the support of the common schools.

The state property tax is also limited by the 106 percent levy limit. The 106 percent levy limit requires reduction of property tax rates as necessary to limit the total amount of property taxes received by a taxing district. The limit for each year is the sum of (a) 106 percent of the highest amount of property taxes levied in the three most recent years, plus (b) an amount equal to last year's levy rate multiplied by the value of new construction.

The state property tax for collection in 1996 was reduced by the Legislature by 4.7187 percent, which reduced the state property tax by \$54.4 million for calendar year 1996. Other taxing district levies were prevented from being higher as a result of the lower state tax levy, and for purposes of the 106 percent limit, state levies after 1996 are set at the amount that would otherwise be allowed if the state levy for 1996 had been set without the 4.7187 percent reduction.

Summary of Amended Bill: The striking amendment provides that the state property tax for collection in 1997 is reduced by 9.7187 percent. Only 5 percent of the reduced 1997 levy

is used for future state levy calculations under the 106 percent levy limit. These changes reduce the state property tax by \$121.1 million for calendar year 1997. General fund revenues are reduced by \$66.6 million for the remaining six months of the 1995-97 biennium.

Amended Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: None.

Testimony Against: None.

Testified: No one.