

Initiative Measure No. 1550, filed January 10, 2017

PROPERTY TAX FAIRNESS INITIATIVE

AN ACT Relating to fairer property taxes; amending RCW 84.55.050; adding new sections to chapter 84.55 RCW; adding a new section to chapter 84.36 RCW; creating new sections; and repealing RCW 84.55.005, 84.55.0101, and 84.55.092.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

INTENT

NEW SECTION. **Sec. 1.** The Property Tax Fairness Initiative is intended to make property taxes fairer. It is long overdue. This measure reduces regular property tax levies 25% beginning in 2018 and caps property tax increases at 1% per year unless an increase greater than this limit is approved by the voters at a general election. This measure also avoids double taxation on personal property.

It's a smart, balanced, reasonable solution to the problem of unfair property taxes.

**REDUCING REGULAR PROPERTY TAX LEVIES BY 25% BEGINNING IN 2018
(VOTER-APPROVED LEVIES, INCLUDING LOCAL SCHOOL LEVIES, ARE NOT AFFECTED)**

NEW SECTION. **Sec. 2.** A new section is added to chapter 84.55 RCW to read as follows:

(1) The regular property tax levy for each taxing district must be reduced by twenty-five percent of the levy amount that would otherwise be allowed under this chapter without regard to this section beginning with taxes levied for collection in 2018 and every year thereafter.

(2) Before applying the reduction in the property tax levy required by this section, levies must be set every year at the amount

that would otherwise be allowed under this chapter without regard to the prior years' reductions provided for in this section. The yearly levy reductions required by this section are not cumulative.

(3) This section does not affect voter-approved levies, including:

(a) The portion of any levy approved by the voters under RCW 84.55.050, commonly called a "levy lid lift." The passage of a "levy lid lift" does not exempt the nonvoter-approved portion of the levy from the reduction required by this section;

(b) Any levy approved by the voters that is not exempt from this section under (a) of this subsection; and

(c) Any excess levy, such as a local school district levy.

**LIMITING ANNUAL PROPERTY TAX GROWTH TO 1% UNLESS A
HIGHER INCREASE IS APPROVED BY VOTERS AT A GENERAL ELECTION**

NEW SECTION. **Sec. 3.** A new section is added to chapter 84.55 RCW to read as follows:

The limit on annual regular property tax levies may not exceed 1% unless a higher increase is approved by voters at a general election.

NEW SECTION. **Sec. 4.** A new section is added to chapter 84.55 RCW to read as follows:

The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Inflation" means the percentage change in the implicit price deflator for personal consumption expenditures for the United States as published for the most recent twelve-month period by the bureau of economic analysis of the federal department of commerce by September 25th of the year before the taxes are payable;

(2) "Limit factor" means:

(a) For taxing districts with a population of less than ten thousand in the calendar year prior to the assessment year, one hundred 1%;

(b) For taxing districts for which a limit factor is authorized under section 6 of this act, the lesser of the limit factor authorized under that section or one hundred 1%; and

(c) For all other districts, the lesser of one hundred 1% or one hundred percent plus inflation; and

(3) "Regular property taxes" has the meaning given it in RCW

84.04.140.

NEW SECTION. **Sec. 5.** RCW 84.55.005 (Definitions) and 2017 c ... s ..., 2014 c 97 s 316, & 2007 sp.s. c 1 s 1, as now existing and hereafter amended, are each repealed.

NEW SECTION. **Sec. 6.** A new section is added to chapter 84.55 RCW to read as follows:

Upon a finding of substantial need, the legislative authority of a taxing district other than the state may provide for the use of a limit factor under this chapter of one hundred 1% or less. In districts with legislative authorities of four members or less, two-thirds of the members must approve an ordinance or resolution under this section. In districts with more than four members, a majority plus one vote must approve an ordinance or resolution under this section. The new limit factor shall be effective for taxes collected in the following year only.

NEW SECTION. **Sec 7.** RCW 84.55.0101 (Limit factor--Authorization for taxing district to use one hundred one percent or less--Ordinance or resolution) and 2017 c ... s ..., 2007 sp.s. c 1 s 2; & 1997 c 3 s 204 (Referendum Bill No. 47, approved November 4, 1997), as now existing and hereafter amended, are each repealed.

Sec. 8. RCW 84.55.050 and 2009 c 551 s 3 are each reenacted and amended to read as follows:

(1) Subject to any otherwise applicable statutory dollar rate limitations, regular property taxes may be levied by or for a taxing district in an amount exceeding the limitations provided for in this chapter if such levy is authorized by a proposition approved by a majority of the voters of the taxing district voting on the proposition at a general election held within the district (~~or at a special election within the taxing district~~) called by the district for the purpose of submitting such proposition to the voters. Any election held pursuant to this section shall be held not more than twelve months prior to the date on which the proposed levy is to be made, except as provided in subsection (2) of this section. The ballot of the proposition shall state the dollar rate proposed and shall clearly state the conditions, if any, which are applicable under

subsection (4) of this section.

(2)(a) Subject to statutory dollar limitations, a proposition placed before the voters under this section may authorize annual increases in levies for multiple consecutive years, up to six consecutive years, during which period each year's authorized maximum legal levy shall be used as the base upon which an increased levy limit for the succeeding year is computed, but the ballot proposition must state the dollar rate proposed only for the first year of the consecutive years and must state the limit factor, or a specified index to be used for determining a limit factor, such as the consumer price index, which need not be the same for all years, by which the regular tax levy for the district may be increased in each of the subsequent consecutive years. Elections for this purpose must be held at a ~~((primary or))~~ general election. The title of each ballot measure must state the limited purposes for which the proposed annual increases during the specified period of up to six consecutive years shall be used.

(b)(i) Except as otherwise provided in this subsection (2)(b), funds raised by a levy under this subsection may not supplant existing funds used for the limited purpose specified in the ballot title. For purposes of this subsection, existing funds means the actual operating expenditures for the calendar year in which the ballot measure is approved by voters. Actual operating expenditures excludes lost federal funds, lost or expired state grants or loans, extraordinary events not likely to reoccur, changes in contract provisions beyond the control of the taxing district receiving the services, and major nonrecurring capital expenditures.

(ii) The supplanting limitations in (b)(i) of this subsection do not apply to levies approved by the voters in calendar years 2009, 2010, and 2011, in any county with a population of one million five hundred thousand or more. This subsection (2)(b)(ii) only applies to levies approved by the voters after July 26, 2009.

(iii) The supplanting limitations in (b)(i) of this subsection do not apply to levies approved by the voters in calendar year 2009 and thereafter in any county with a population less than one million five hundred thousand. This subsection (2)(b)(iii) only applies to levies approved by the voters after July 26, 2009.

(3) After a levy authorized pursuant to this section is made, the dollar amount of such levy may not be used for the purpose of

computing the limitations for subsequent levies provided for in this chapter, unless the ballot proposition expressly states that the levy made under this section will be used for this purpose.

(4) If expressly stated, a proposition placed before the voters under subsection (1) or (2) of this section may:

(a) Use the dollar amount of a levy under subsection (1) of this section, or the dollar amount of the final levy under subsection (2) of this section, for the purpose of computing the limitations for subsequent levies provided for in this chapter;

(b) Limit the period for which the increased levy is to be made under (a) of this subsection;

(c) Limit the purpose for which the increased levy is to be made under (a) of this subsection, but if the limited purpose includes making redemption payments on bonds, the period for which the increased levies are made shall not exceed nine years;

(d) Set the levy or levies at a rate less than the maximum rate allowed for the district; or

(e) Include any combination of the conditions in this subsection.

(5) Except as otherwise expressly stated in an approved ballot measure under this section, subsequent levies shall be computed as if:

(a) The proposition under this section had not been approved; and

(b) The taxing district had made levies at the maximum rates which would otherwise have been allowed under this chapter during the years levies were made under the proposition.

NEW SECTION. **Sec. 9.** A new section is added to chapter 84.55 RCW to read as follows:

(1) The regular property tax levy for each taxing district other than the state may be set at the amount which would be allowed otherwise under this chapter if the regular property tax levy for the district for taxes due in prior years beginning with 1986 had been set at the full amount allowed under this chapter including any levy authorized under RCW 52.16.160 that would have been imposed but for the limitation in RCW 52.18.065, applicable upon imposition of the benefit charge under chapter 52.18 RCW, and only if voters approve at a general election increasing property taxes above the 1% levy limit established by this act.

(2) The purpose of this section is to remove the incentive for a taxing district to maintain its tax levy at the maximum level

permitted under this chapter, and to protect the future levy capacity of a taxing district that reduces its tax levy below the level that it otherwise could impose under this chapter, by removing the adverse consequences to future levy capacities resulting from such levy reductions.

NEW SECTION. **Sec. 10.** RCW 84.55.092 (Protection of future levy capacity) and 2017 c ... s ..., 1998 c 16 s 3, 1988 c 274 s 4, & 1986 c 107 s 3, as now existing and hereafter amended, are each repealed.

AVOIDING DOUBLE TAXATION ON PERSONAL PROPERTY

NEW SECTION. **Sec. 11.** A new section is added to chapter 84.36 RCW to read as follows:

To avoid double taxation, any personal property, on which state and local sales tax or state and local use tax has been paid on the purchase of such property, is exempt from taxation.

MISCELLANEOUS

NEW SECTION. **Sec. 12.** The provisions of this act are to be liberally construed to effectuate the policies, purposes, and intent of this act.

NEW SECTION. **Sec. 13.** If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. **Sec. 14.** This act may be known and cited as the "Property Tax Fairness Initiative."

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