

FORMATTING NOTE:

In initiatives, legislative bills and other proposed measures, language that is to be deleted from current statutes is represented by a "strikethrough" character and language that is to be added is underlined. Because these special characters cannot be formatted in all Internet browsers, a different set of symbols is used for presenting these proposals on-line. The symbols are as follows:

- Text that is surrounded by (~~- text here -~~) is text that will be DELETED FROM the existing statute if the proposed measure is approved.
- Text that is surrounded by {+ text here +} is text that will be ADDED TO the existing statute if the proposed measure is approved.
- {+ NEW SECTION+} (found at the beginning of a section or paragraph) indicates that ALL of the text in that section will become law if the proposed measure is approved.

* * *

INITIATIVE 230

AN ACT Relating to property tax reform and relief; amending RCW 43.135.045, 84.55.050, 84.55.010, 84.52.067, 84.38.010, and 84.38.050; reenacting and amending RCW 43.84.092 and 84.55.005; adding a new section to chapter 84.55 RCW; adding a new section to chapter 84.38 RCW; creating new sections; repealing RCW 84.55.0101; and providing an effective date.

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

PART I
SHORT TITLE

{+ NEW SECTION. +} Sec. 101. This act may be known and cited as the property tax reform and relief act.

PART II
INTENT

{+ NEW SECTION. +} Sec. 201. (1) The people of the state of Washington find and declare that:

(a) The rising property tax burden places undue financial pressures on working families and prevents some citizens from attaining the American dream of homeownership.

(b) Our state currently has over one billion dollars of excess tax revenues that have been collected from the people and should be returned to the people without jeopardizing funds necessary for emergencies.

(c) Many local jurisdictions have ignored the people's will in Referendum 47 and have increased the property tax burden well above the rate of inflation.

(d) Large increases in taxes on residential property, usually attributable to rapid increases in property values, cause undue and excessive hardships for many homeowners. These increased tax burdens put many homeowners at risk of being unable to remain in their residences and maintain their property. Temporary financial hardships, such as unemployment or medical costs, may leave some homeowners with insufficient resources to pay property tax bills.

(2) It is therefore the intent of the people to:

(a) Provide immediate relief from the state portion of the property tax and then, after ensuring a fiscally sound reserve, use all surplus state revenues to fully eliminate the state property tax levy over time;

(b) Require voter approval for all regular property tax increases that exceed the rate of inflation; and

(c) Create a property tax deferral program that allows taxpayers with financial hardships to defer property taxes due in order to remain in their homes while still paying an equitable share of the overall property tax burden.

PART III ADDITIONAL PERMANENT STATE LEVY REDUCTION

{+ NEW SECTION. +} Sec. 301. A new section is added to chapter 84.55 RCW to read as follows:

In addition to the reductions in RCW 84.55.012 and 84.55.0121, the state property tax levy for collection in 2001 shall be reduced by 7.55 percent of the levy amount that would otherwise be allowed under this chapter without regard to this section.

PART IV USING SURPLUSES TO PHASE OUT THE STATE PROPERTY TAX LEVY

Sec. 401. RCW 43.135.045 and 1994 c 2 s 3 are each amended to read as follows:

(1) The emergency reserve fund (({- is -})) {+ , the property tax reduction fund, and the education construction fund are +} established in the state treasury. (({- During -}))

{+ (2)(a) On July 1st of +} each (({- fiscal -})) year, the state treasurer shall (({- deposit in -})) {+ transfer to +} the emergency reserve fund (({- all general fund--state revenues -})) {+ any unobligated fund balance +} in excess of (({- the -})) {+ general fund-- +}state expenditure {+ s +} (({- limit -})) for (({- that -})) {+ the immediately preceding +} fiscal year. (({- Deposits shall be made at the end of each fiscal quarter based on projections of state revenues and the state expenditure limit.

(2) -})) {+ (b) +} The legislature may appropriate moneys from the emergency reserve fund only with approval of at least two-thirds of the members of each house of the legislature, and then only if the appropriation does not cause total expenditures to exceed the state expenditure limit under this chapter.

(({- (3) -})) {+ (c) +} The emergency reserve fund balance shall not exceed five percent of biennial general fund--state (({- revenues as projected by the official state revenue forecast -})) {+ expenditures made during the immediately preceding fiscal year +}. Any balance in excess of five percent shall be transferred (({- on a quarterly basis -})) by the state treasurer to the (({- education construction fund hereby created in the treasury -})) {+ property tax reduction fund.

(3)(a) Moneys transferred into the property tax reduction fund are subject in the next fiscal year to transfer to the general fund for purposes of reducing the state property tax levy.

(b) The budget document submitted to the legislature by the governor under RCW 43.88.030 shall include a transfer to the general fund equivalent to the amounts deposited in the property tax reduction

fund. These amounts are to be used solely for the purpose of reducing the state property tax levy.

(c) Moneys transferred to the general fund under (b) of this subsection shall be credited against the levy under RCW 84.52.065 for collection in the calendar year following the fiscal year in which the transfer is made.

(d) The property tax reduction fund may not exceed the amount of tax that would otherwise be levied by the state under RCW 84.52.065 in the second calendar year following the end of the fiscal year. Any balance in excess of that necessary to reduce the state levy under this subsection shall be transferred by the state treasurer to the education construction fund +).

(4)(a) (({- Funds -})) {+ Moneys transferred to the education construction fund +} may be appropriated (({- from the education construction fund -})) exclusively for common school construction or higher education construction.

(b) (({- Funds -})) {+ Moneys transferred to the education construction fund +} may be appropriated for any other purpose only if approved by a two-thirds vote of each house of the legislature and if approved by a vote of the people at the next general election. An appropriation approved by the people under this subsection shall result in an adjustment to the state expenditure limit only for the fiscal period for which the appropriation is made and shall not affect any subsequent fiscal period.

Sec. 402. RCW 43.84.092 and 1999 c 380 s 9 and 1999 c 309 s 929 are each reenacted and amended to read as follows:

(1) All earnings of investments of surplus balances in the state treasury shall be deposited to the treasury income account, which account is hereby established in the state treasury.

(2) The treasury income account shall be utilized to pay or receive funds associated with federal programs as required by the federal cash management improvement act of 1990. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for refunds or allocations of interest earnings required by the cash management improvement act. Refunds of interest to the federal treasury required under the cash management improvement act fall under RCW 43.88.180 and shall not require appropriation. The office of financial management shall determine the amounts due to or from the federal government pursuant to the cash management improvement act. The office of financial management may direct transfers of funds between accounts as deemed necessary to implement the provisions of the cash management improvement act, and this subsection. Refunds or allocations shall occur prior to the distributions of earnings set forth in subsection (4) of this section.

(3) Except for the provisions of RCW 43.84.160, the treasury income account may be utilized for the payment of purchased banking services on behalf of treasury funds including, but not limited to, depository, safekeeping, and disbursement functions for the state treasury and affected state agencies. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for payments to financial institutions. Payments shall occur prior to distribution of earnings set forth in subsection (4) of this section.

(4) Monthly, the state treasurer shall distribute the earnings credited to the treasury income account. The state treasurer shall credit the general fund with all the earnings credited to the treasury income account except:

(a) The following accounts and funds shall receive their proportionate share of earnings based upon each account's and fund's average daily balance for the period: The capitol building construction account, the Cedar River channel construction and operation account, the Central Washington University capital projects account, the charitable, educational, penal and reformatory institutions account, the common school construction fund, the county criminal justice assistance account, the county sales and use tax equalization account, the data processing building construction account, the deferred compensation administrative account, the deferred compensation principal account, the department of retirement systems expense account, the drinking water assistance account, the Eastern Washington University capital projects account, the education construction fund, the emergency reserve fund, the federal forest revolving account, the health services account, the public health services account, the health system capacity account, the personal health services account, the state higher education construction account, the higher education construction account, the highway infrastructure account, the industrial insurance premium refund account, the judges' retirement account, the judicial retirement administrative account, the judicial retirement principal account, the local leasehold excise tax account, the local real estate excise tax account, the local sales and use tax account, the medical aid account, the mobile home park relocation fund, the municipal criminal justice assistance account, the municipal sales and use tax equalization account, the natural resources deposit account, the perpetual surveillance and maintenance account, {+ the property tax reduction fund, +} the public employees' retirement system plan 1 account, the public employees' retirement system plan 2 account, the Puyallup tribal settlement account, the resource management cost account, the site closure account, the special wildlife account, the state employees' insurance account, the state employees' insurance reserve account, the state investment board expense account, the state investment board commingled trust fund accounts, the supplemental pension account, the teachers' retirement system plan 1 account, the teachers' retirement system combined plan 2 and plan 3 account, the tobacco prevention and control account, the tobacco settlement account, the transportation infrastructure account, the tuition recovery trust fund, the University of Washington bond retirement fund, the University of Washington building account, the volunteer fire fighters' {+ and reserve officers' +} relief and pension principal (({- account -})) {+ fund +}, the volunteer fire fighters' (({- relief and pension administrative account -})) {+ and reserve officers' administrative fund +}, the Washington judicial retirement system account, the Washington law enforcement officers' and fire fighters' system plan 1 retirement account, the Washington law enforcement officers' and fire fighters' system plan 2 retirement account, the Washington school employees' retirement system combined plan 2 and 3 account, the Washington state patrol retirement account, the Washington State University building account, the Washington State University bond retirement fund, the water pollution control revolving fund, and the Western Washington University capital projects account. Earnings derived from investing balances of the agricultural permanent fund, the normal school permanent fund, the permanent common school fund, the scientific permanent fund, and the state university permanent fund shall be allocated to their respective beneficiary accounts. All earnings to be distributed under this subsection (4)(a) shall first be reduced by the allocation to the state

treasurer's service fund pursuant to RCW 43.08.190.

(b) The following accounts and funds shall receive eighty percent of their proportionate share of earnings based upon each account's or fund's average daily balance for the period: The aeronautics account, the aircraft search and rescue account, the county arterial preservation account, the department of licensing services account, the essential rail assistance account, the ferry bond retirement fund, the grade crossing protective fund, the high capacity transportation account, the highway bond retirement fund, the highway safety account, the motor vehicle fund, the motorcycle safety education account, the pilotage account, the public transportation systems account, the Puget Sound capital construction account, the Puget Sound ferry operations account, the recreational vehicle account, the rural arterial trust account, the safety and education account, the special category C account, the state patrol highway account, the transportation equipment fund, the transportation fund, the transportation improvement account, the transportation improvement board bond retirement account, and the urban arterial trust account.

(5) In conformance with Article II, section 37 of the state Constitution, no treasury accounts or funds shall be allocated earnings without the specific affirmative directive of this section.

PART V
STRENGTHENING PROPERTY TAX GROWTH RESTRICTIONS

Sec. 501. RCW 84.55.005 and 1997 c 393 s 20 and 1997 c 3 s 201 are each reenacted and amended to read as follows:

As used in this chapter:

(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 in September 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 six percent; -})) {+ For the state, one hundred percent. +}

(b) (({- For taxing districts for which a limit factor is authorized under RCW 84.55.0101, the lesser of the limit factor authorized under that section or one hundred six percent;

(c) -})) For all (({- other -})) districts(({- , the lesser of one hundred six percent or -})) {+ other than the state, +} one hundred percent plus inflation; and

(3) "Regular property taxes" has the meaning given it in RCW 84.04.140.

Sec. 502. RCW 84.55.050 and 1989 c 287 s 1 are each 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 {+ other than the state +} 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. The ballot of the proposition shall state the dollar rate proposed and shall clearly state (({- any conditions which are applicable under subsection (3) of this section -})) {+ the purpose or purposes of the levy +}.

(2) After a levy authorized pursuant to this section is made, the dollar amount of such levy shall be used for the purpose of computing the limitations for subsequent levies provided for in this chapter, except as provided in subsection (({- (4) -})) {+ (3) +} of this section. {+ A levy authorized pursuant to this section may not exceed a period of three years. Once a levy is authorized under this section for a one-year through three-year period, no additional tax levies for that period may be authorized. +}

(3) (({- A proposition placed before the voters under this section may:

(a) Limit the period for which the increased levy is to be made;

(b) Limit the purpose for which the increased levy is to be made, 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;

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

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

(4) -})) After the expiration of (({- a limited -})) {+ the +} period (({- or the satisfaction of a limited purpose, whichever comes first, -})) {+ of the levy authorized pursuant to this section, +} subsequent levies shall be computed as if:

(a) The (({- limited -})) proposition under subsection (({- (3) -})) {+ (1) +} of 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 (({- limited -})) proposition.

Sec. 503. RCW 84.55.010 and 1997 c 3 s 202 are each amended to read as follows:

{+ (1) +} Except as provided in this chapter, the levy for a taxing district {+ other than the state +} in any year shall be set so that the regular property taxes payable in the following year shall not exceed the limit factor multiplied by the amount of regular property taxes lawfully levied for such district in the highest of the three most recent years in which such taxes were levied for such district plus an additional dollar amount calculated by multiplying the increase in assessed value in that district resulting from new construction, improvements to property, and any increase in the assessed value of state-assessed property by the regular property tax levy rate of that district for the preceding year.

{+ (2) Except as provided in this chapter, the levy for the state in any year shall be set so that:

(a) The regular property taxes payable in the following year shall not exceed the limit factor multiplied by the amount of regular property taxes lawfully levied for the state in the immediately preceding year, plus

(b) An additional dollar amount calculated by multiplying the increase in assessed value in the state resulting from new construction, improvements to property, and any increase in the assessed value of state-assessed property by the regular property tax levy rate of the state for the preceding year. +}

Sec. 504. RCW 84.52.067 and 1967 ex.s. c 133 s 2 are each amended to read as follows:

{+ (1) Except as provided in subsection (2) of this section, a }11 property taxes levied by the state for the support of common schools shall be paid into the general fund of the state treasury as provided in RCW 84.56.280.

{+ (2) The levy amount provided for in RCW 84.55.010(2)(b) shall be paid into the education construction fund. +}

{+ NEW SECTION. +} Sec. 505. RCW 84.55.0101 (Limit factor-- Authorization for taxing district to use one hundred six percent or less--Ordinance or resolution) and 1997 c 3 s 204 are each repealed.

PART VI
CREATING A FINANCIAL HARDSHIP PROPERTY TAX DEFERRAL PROGRAM

{+ NEW SECTION. +} Sec. 601. A new section is added to chapter 84.38 RCW to read as follows:

(1) A claimant may defer payment of that amount of real property taxes that exceeds six percent of the claimant's combined disposable income, but not to exceed two thousand five hundred dollars per year.

(2) Deferral of taxes under this chapter is subject to the following conditions:

(a) The claimant must have owned, at the time of filing, the residence on which the real property taxes have been imposed. For purposes of this subsection, a residence owned by a marital community or owned by cotenants shall be deemed to be owned by each spouse or cotenant. A claimant who has only a share ownership in cooperative housing, a life estate, a lease for life, or a revocable trust does not satisfy the ownership requirement.

(b) The property taxes must have been imposed upon a residence that was occupied by the claimant as a principal place of residence.

(c) A deferral is not allowed for taxes levied in the first full calendar year in which the person owns the residence.

(d) The claimant must have and keep in force fire and casualty insurance in sufficient amount to protect the interest of the state in the claimant's equity value. If the claimant fails to keep fire and casualty insurance in force to the extent of the state's interest in the claimant's equity value, the amount deferred shall not exceed one hundred percent of the claimant's equity value in the land or lot only.

(e) The total amount of taxes deferred, including interest thereon, must not exceed eighty percent of the claimant's equity value in the residence.

Sec. 602. RCW 84.38.010 and 1975 1st ex.s. c 291 s 26 are each amended to read as follows:

{+ The legislature finds that s +}avings once deemed adequate for retirement living have been rendered inadequate by increased tax rates, increased property values, and the failure of pension systems to adequately reflect such factors. It is therefore deemed necessary that the legislature, in addition to that tax exemption as provided for in RCW 84.36.381 through 84.36.389 as now or hereafter amended, allow retired persons to defer payment of special assessments on their residences, and to defer their real property tax obligations on their residences, an amount of up to eighty percent of their equity in said property. (({- This deferral program -})) {+ The deferral provided

under RCW 84.38.030 +} is intended to assist retired persons in maintaining their dignity and a reasonable standard of living by residing in their own homes, providing for their own needs, and managing their own affairs without requiring assistance from public welfare programs.

Sec. 603. RCW 84.38.050 and 1979 ex.s. c 214 s 8 are each amended to read as follows:

(1)(a) Declarations to defer property taxes for all years following the first year {+ under RCW 84.38.030 +} may be made by filing with the county assessor no later than thirty days before the tax is due a renewal form in duplicate, prescribed by the department of revenue and supplied by the county assessor, which affirms the continued eligibility of the claimant.

(b) In January of each year, the county assessor shall send to each claimant who has been granted deferral of ad valorem taxes for the previous year {+ under RCW 84.38.030 +} renewal forms and notice to renew.

(2) Declarations to defer special assessments shall be made by filing with the assessor no later than thirty days before the special assessment is due on a form to be prescribed by the department of revenue and supplied by the county assessor. Upon approval, the full amount of special assessments upon such claimant's residence shall be deferred but not to exceed an amount equal to eighty percent of the claimant's equity value in said property.

PART VII MISCELLANEOUS

{+ NEW SECTION. +} Sec. 701. 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. 702. Part headings used in this act are not any part of the law.

{+ NEW SECTION. +} Sec. 703. This act takes effect September 1, 2000, and is effective for taxes levied for collection in 2001 and thereafter.

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