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INITIATIVE 396

I, Sam Reed, Secretary of State of the State of Washington and custodian of its seal hereby certify that, according to the records on file in my office, the attached copy of Initiative Measure No. 396 to the Legislature is a true and correct copy as it was received by this office.

AN ACT Relating to limiting property taxes; amending RCW 84.55.005, 84.55.0101, 84.55.050, and 84.55.092; amending RCW 84.55.0101, 84.55.050, and 84.55.092; reenacting and amending RCW 84.55.005; reenacting RCW 84.55.005 and 84.55.0101; adding a new section to chapter 84.55 RCW; creating new sections; providing an effective date; and providing contingent effective dates.

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

INTENT

NEW SECTION. **Sec. 1.** The Lower Property Taxes Initiative is intended to protect taxpayers from our state's obscene and unsustainable property tax burden by reducing and controlling property taxes. It is long overdue. This measure would reduce regular property tax levies by 12.5% annually beginning in 2009 and limit property tax levy increases to 1% per year unless an increase greater than this limit is approved by voters at a general election. Voter-approved levies, including local school levies, are not affected.

During these tough economic times, struggling working families and senior citizens desperately need and deserve meaningful property tax relief. Property taxes have skyrocketed for decades and politicians have done nothing to address this very real problem. This measure also

provides a much-needed economic stimulus to our state's economy by providing tax incentives to all businesses and individuals. This helps everyone, both employers and employees. So, this measure ensures meaningful tax relief, a big boost to our state's economy, and long-overdue reform of government. It's a smart, balanced, reasonable solution to our state's property tax problem.

**REDUCING REGULAR PROPERTY TAX LEVIES BY 12.5% ANNUALLY
BEGINNING IN 2009 (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 shall be reduced by twelve and one-half percent of the levy amount beginning with taxes levied for collection in 2009 and every year thereafter.

(2) After applying the reduction in the property tax levy required by subsection (1) of this section, levies in the following year shall be set annually at the amount that would otherwise be allowed under this chapter without regard to the prior year's reductions provided for in subsection (1) of this section.

(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 PROPERTY TAX INCREASES TO 1% PER YEAR
UNLESS VOTERS APPROVE A GREATER INCREASE AT A
GENERAL ELECTION**

Sec. 3. RCW 84.55.005 and 1997 c 393 s 20 and 1997 c 3 s 201 are each 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)~~) one 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)~~) one percent;

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

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

Sec. 4. RCW 84.55.0101 and 1997 c 3 s 204 (Referendum Bill No. 47, approved November 4, 1997) are each amended 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 (~~(six)~~) one percent or less unless an increase greater than this limit is approved by voters at an election as provided in RCW 84.55.050. 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.

Sec. 5. RCW 84.55.005 and 2002 c 1 s 2 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 (~~(one)~~) one 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 (~~one~~) one percent;

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

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

Sec. 6. RCW 84.55.0101 and 2002 c 1 s 3 are each reenacted and amended 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 (~~one~~) one percent or less unless an increase greater than this limit is approved by voters at an election as provided in RCW 84.55.050. 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.

**REQUIRING VOTER APPROVAL AT A GENERAL ELECTION FOR PROPERTY
TAX INCREASES GREATER THAN 1% PER YEAR AND CLARIFYING
THE LAWS REGARDING LEVY LID LIFTS**

Sec. 7. RCW 84.55.050 and 2007 c 380 s 2 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 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 total amount of additional dollars raised

from the levy lid lift for the limited duration of the levy and the total amount of additional dollars the levy lid lift will cost the owner of the average property value in that jurisdiction for the limited duration of the levy and dollar rate proposed and shall clearly state the conditions, if any, which are applicable under subsection (4) of this section.

(2) 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 total amount of additional dollars raised from the levy lid lift for the duration of the levy and the total amount of additional dollars the levy lid lift will cost the owner of the average property value in that jurisdiction for the duration of the levy and 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 the 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 specific purposes for which the proposed annual increases during the specified period of up to six consecutive years shall be used, and funds raised under the levy shall not supplant existing funds used for these purposes. 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.

(3) 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 subsections (5) and (7) of this section.

(4) If expressly stated, a proposition placed before the voters under subsection (1) or (2) of 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) Provide that the maximum allowable dollar amount of the final annual levy of the period specified in the measure shall be used to compute the limitations provided for in this chapter on levy increases occurring after the expiration of the period; or

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

(5) Except as otherwise provided in an approved ballot measure under this section, after the expiration of any levy lid lift, such as a levy lid lift for a limited period under subsection (4)(a) of this section or after the satisfaction of a limited purpose for a levy lid lift under subsection (4)(b) of this section, whichever comes first, subsequent levies shall be computed as if:

(a) The limited proposition under subsection (4) 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.

(6) Any levy lid lift authorized under this section shall be temporary, unless expressly stated as permanent on a proposition placed before the voters under subsection (1) or (2) of this section, and the one percent levy limit shall be calculated as if the levy had never occurred, as provided in subsections (5) and (7) of this section.

(7) If a levy increase, initially authorized under this section, is not reauthorized by voters in a subsequent election, the subsequent levy 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 limited proposition.

Sec. 8. RCW 84.55.092 and 1998 c 16 s 3 are each amended to read as follows:

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 the taxing district receives a majority vote of the people voting at a general election to use excess capacity to increase a taxing district's property tax levy above the one percent levy limit required by this act.

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.

CONSTRUCTION CLAUSE

NEW SECTION. **Sec. 9.** The provisions of this act are to be liberally construed to effectuate the policies, purposes, and intent of this act.

SEVERABILITY CLAUSE

NEW SECTION. **Sec. 10.** 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.

MISCELLANEOUS

NEW SECTION. **Sec. 11.** Subheadings used in this act are not part of the law.

NEW SECTION. **Sec. 12.** This act shall be known and cited as the Lower Property Taxes Initiative of 2008.

NEW SECTION. **Sec. 13.** Sections 3 and 4 of this act are effective if the unconstitutionality of Initiative Measure No. 747 is affirmed by pending appeal.

NEW SECTION. **Sec. 14.** Sections 5 and 6 of this act are effective if the unconstitutionality of Initiative Measure No. 747 is reversed by pending appeal.

NEW SECTION. **Sec. 15.** This act takes effect December 10, 2008.

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