

# Initiative Measure No. 427

Filed

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SECRETARY OF STATE

## COMPLETE TEXT

AN ACT Relating to protecting taxpayers by limiting the tax burden on Washington's citizens; adding new sections to chapter 43.135 RCW; amending RCW 84.52.065; adding a new section to chapter 36.33 RCW; adding a new section to Title 35 RCW; amending RCW 84.52.043; and creating new sections.

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

## POLICIES AND PURPOSES

NEW SECTION. **Sec. 1.** This act is intended to protect taxpayers by reducing our state's obscene and unsustainable property tax burden by controlling the growth of citizens' overall tax burden. It is long overdue. This measure would limit the growth of state, county, and city general fund revenue, not including new voter-approved revenue, to the annual rate of inflation. Revenue above this limit would be used to reduce property taxes. This measure permits the growth of Washington's tax burden to increase at a reasonable, sustainable rate, allows citizens to vote for higher taxes where they see a need, and uses excess revenues above this limit to go toward reducing property taxes.

Intent of subsection 6 of sections 2, 4, and 6: voter approved increases in revenue are exempt from this act's revenue limit. This includes binding votes of the people and does not include a revenue increase approved by an advisory vote. The clear language of this

act is intended to ensure that voter approval of a property tax levy lid lift only exempts the additional increase in property tax revenue and not the portion of the levy which was not affected by voter approval.

During these tough economic times, struggling working families and fixed-income 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 struggling economy by keeping our tax burden at a reasonable, sustainable level and reducing our state's property tax burden. So, this measure ensures meaningful tax relief, a big boost to our state's economy, and long-overdue reform of government. It is a smart, balanced, reasonable solution to our state's property tax problem.

**LIMITING THE TAX BURDEN OF WASHINGTON'S CITIZENS BY LIMITING THE GROWTH OF STATE GOVERNMENT'S GENERAL FUND REVENUE, NOT INCLUDING NEW VOTER-APPROVED REVENUE, TO THE ANNUAL RATE OF INFLATION. EXCESS REVENUE ABOVE THIS LIMIT WOULD BE USED TO REDUCE PROPERTY TAXES IMPOSED BY STATE GOVERNMENT**

NEW SECTION. **Sec. 2.** A new section is added to chapter 43.135 RCW to read as follows:

(1) Starting with general fund revenue during the 2008 calendar year, the growth rate of state government general fund revenue, not including new voter-approved revenue, shall be limited to the annual rate of inflation. Starting with the first calendar year after the effective date of this act, revenue received above this limit shall be deposited in a new account hereby created called the "Lower State Property Taxes Account." All revenues in this account received during a year shall be used to reduce the subsequent year's state property tax levy as provided in section 3 of this act.

(2) For purposes of this section, "general fund revenue" means the aggregate of revenue from taxes, fees, and other governmental charges received by state government that are deposited in any fund subject to the state expenditure limit under RCW 43.135.025.

"General fund revenue" does not include the funds required to be transferred into the fund created under Article 7, Section 12 of the state constitution and does not include funds transferred from that fund.

(3) For the purposes of this section, "rate of inflation" means the percentage change in the implicit price deflator for the United States as published on February 28 following each calendar year by the federal bureau of labor statistics and reported by the office of financial management.

(4) If the cost of any state program or function is shifted from the state general fund or any fund subject to the state expenditure limit under RCW 43.135.025, on or after January 1, 2009, to another source of funding, or if revenue is transferred from the state general fund or any fund subject to the state expenditure limit under RCW 43.135.025 to another fund or account, the limit required by this section shall apply to the aggregate of funds subject to the state expenditure limit under RCW 43.135.025, plus the shifted and/or transferred revenue for that year and all subsequent years.

(5) If the cost of any state program or function and the revenue to fund the program or function are shifted to the state general fund or any fund subject to the state expenditure limit under RCW 43.135.025, on or after January 1, 2009, the limit required by this section shall apply to the aggregate of funds subject to the state expenditure limit under RCW 43.135.025, including the shifted revenue for that year and all subsequent years.

(6) For the purposes of this section, "new voter-approved revenue" is defined as the increase in revenue approved by the state's voters at an election after January 1, 2009.

**Sec. 3.** RCW 84.52.065 and 1991 sp.s. c 31 s 16 are each amended to read as follows:

(1) Subject to the limitations in RCW 84.55.010, in each year the state shall levy for collection in the following year for the support of common schools of the state a tax of three dollars and sixty cents per thousand dollars of assessed value upon the assessed

valuation of all taxable property within the state adjusted to the state equalized value in accordance with the indicated ratio fixed by the state department of revenue.

(2) The state property tax levy shall be reduced from the amount that could otherwise be levied under subsection (1) of this section by an amount equal to the previous year's gross deposits to the "Lower State Property Taxes Account" established in section 2 of this act.

(3) The balance of the "Lower State Property Taxes Account" shall be transferred each year to the general fund to account for the reduction of the levy as provided in subsection (2) of this section.

(4) As used in this section, "the support of common schools" includes the payment of the principal and interest on bonds issued for capital construction projects for the common schools.

**LIMITING THE TAX BURDEN OF WASHINGTON'S CITIZENS BY LIMITING THE GROWTH OF EACH COUNTY'S GENERAL FUND REVENUE, NOT INCLUDING NEW VOTER-APPROVED REVENUE, TO THE ANNUAL RATE OF INFLATION. EXCESS REVENUE ABOVE THIS LIMIT WOULD BE USED TO REDUCE PROPERTY TAXES IMPOSED BY EACH COUNTY**

NEW SECTION. **Sec. 4.** A new section is added to chapter 36.33 RCW to read as follows:

(1) Starting with general fund revenue during the 2008 calendar year, the growth rate of each county government's general fund revenue, not including new voter-approved revenue, shall be limited to the annual rate of inflation. Starting with the first calendar year after the effective date of this act, each county shall deposit revenues received above this limit in a new account created by the county called the "Lower County Property Taxes Account." All revenues in this account received during a year shall be used to reduce the subsequent year's county property tax levy by the amount of gross deposits in the account.

(2) For purposes of this section, "general fund revenue" means the aggregate of revenue from taxes, fees, and other governmental charges received by the county that are deposited in the county's current expense fund.

(3) For the purposes of this section, "rate of inflation" means the percentage change in the implicit price deflator for the United States as published on February 28 following each calendar year by the federal bureau of labor statistics and reported by the office of financial management.

(4) If the cost of any county program or function is shifted from the county's current expense fund on or after January 1, 2009, to another source of funding, or if revenue is transferred from the county's current expense fund to another fund or account, the limit required by this section shall apply to the aggregate of the county's current expense fund plus the shifted and/or transferred revenue for that year and all subsequent years.

(5) If the cost of any county program or function and the revenue to fund the program or function are shifted to the county's current expense fund on or after January 1, 2009, the limit required by this section shall apply to the aggregate of the county general fund including the shifted revenue for that year and all subsequent years.

(6) For the purposes of this section, "new voter-approved revenue" is defined as the increase in revenue approved by the county's voters at an election after January 1, 2009.

NEW SECTION. **Sec. 5.** A new section is added to chapter 36.33 RCW to read as follows:

Any county's property tax levy shall be reduced from the amount that could otherwise be levied under RCW 84.52.043 of this section by an amount equal to the previous year's gross deposits to that county's "Lower County Property Taxes Account" established in section 4 of this act.

**LIMITING THE TAX BURDEN OF WASHINGTON'S CITIZENS BY LIMITING THE GROWTH OF EACH CITY'S GENERAL FUND REVENUE, NOT INCLUDING NEW VOTER-APPROVED REVENUE, TO THE ANNUAL RATE OF INFLATION. EXCESS REVENUE ABOVE THIS LIMIT WOULD BE USED TO REDUCE PROPERTY TAXES IMPOSED BY EACH CITY**

NEW SECTION. **Sec. 6.** A new section is added to Title 35 RCW to read as follows:

(1) Starting with general fund revenue during the 2008 calendar year, the growth rate of each city government's general fund revenue, not including new voter-approved revenue, shall be limited to the annual rate of inflation. Starting with the first calendar year after the effective date of this act, each city shall deposit revenues received above this limit in a new account created by the city called the "Lower City Property Taxes Account." All revenues in this account received during a year shall be used to reduce the subsequent year's city property tax levy by the amount of gross deposits in the account.

(2) For purposes of this section, "general fund revenue" means the aggregate of revenue from taxes, fees, and other governmental charges received by the city that are deposited in the city's current expense fund.

(3) For the purposes of this section, "rate of inflation" means the percentage change in the implicit price deflator for the United States as published on February 28 following each calendar year by the federal bureau of labor statistics and reported by the office of financial management.

(4) If the cost of any city program or function is shifted from the city's current expense fund on or after January 1, 2009, to another source of funding, or if revenue is transferred from the city's current expense fund to another fund or account, the limit required by this section shall apply to the aggregate of the city's current expense fund plus the shifted and/or transferred revenue for that year and all subsequent years.

(5) If the cost of any city program or function and the revenue to fund the program or function are shifted to the city's current expense fund on or after January 1, 2009, the limit required by this section shall apply to the aggregate of the city's current expense fund including the shifted revenue for that year and all subsequent years.

(6) For the purposes of this section, "new voter-approved revenue" is defined as the increase in revenue approved by the city's voters at an election after January 1, 2009.

NEW SECTION. **Sec. 7.** A new section is added to Title 35 RCW to read as follows:

Any city's property tax levy shall be reduced from the amount that would otherwise be levied under RCW 84.52.043 of this section by an amount equal to the previous year's gross deposits to that city's "Lower City Property Taxes Account" established in section 6 of this act.

**Sec. 8.** RCW 84.52.043 and 2005 c 122 s 3 are each amended to read as follows:

Within and subject to the limitations imposed by RCW 84.52.050 as amended, the regular ad valorem tax levies upon real and personal property by the taxing districts hereafter named shall be as follows:

(1) Levies of the senior taxing districts shall be as follows:  
(a) The levy by the state shall not exceed three dollars and sixty cents per thousand dollars of assessed value adjusted to the state equalized value in accordance with the indicated ratio fixed by the state department of revenue to be used exclusively for the support of the common schools; (b) the levy by any county shall not exceed one dollar and eighty cents per thousand dollars of assessed value; (c) the levy by any road district shall not exceed two dollars and twenty-five cents per thousand dollars of assessed value; and (d) the levy by any city or town shall not exceed three dollars and thirty-seven and one-half cents per thousand dollars of assessed value. However any county is hereby authorized to increase its levy from one dollar and eighty cents to a rate not to exceed two dollars and forty-seven and one-half cents per thousand dollars of assessed value for general county purposes if the total levies for both the county and any road district within the county do not exceed four dollars and five cents per thousand dollars of assessed value, and no other taxing district has its levy reduced as a result of the increased county levy.

(2) The aggregate levies of junior taxing districts and senior taxing districts, other than the state, shall not exceed five dollars

and ninety cents per thousand dollars of assessed valuation. The term "junior taxing districts" includes all taxing districts other than the state, counties, road districts, cities, towns, port districts, and public utility districts. The limitations provided in this subsection shall not apply to: (a) Levies at the rates provided by existing law by or for any port or public utility district; (b) excess property tax levies authorized in Article VII, section 2 of the state Constitution; (c) levies for acquiring conservation futures as authorized under RCW 84.34.230; (d) levies for emergency medical care or emergency medical services imposed under RCW 84.52.069; (e) levies to finance affordable housing for very low-income housing imposed under RCW 84.52.105; (f) the portions of levies by metropolitan park districts that are protected under RCW 84.52.120; (g) levies imposed by ferry districts under RCW 36.54.130; (h) levies for criminal justice purposes under RCW 84.52.135; and (i) the portions of levies by fire protection districts that are protected under RCW 84.52.125.

(3) The limitations in subsections (1) and (2) for the levies by the state, counties and cities shall be further adjusted as provided in sections 2, 4, and 6 of this act.

#### **CONSTRUCTION CLAUSE**

NEW SECTION. **Sec. 9.** The provisions of this act are to be liberally construed to effectuate the intent, policies, and purposes 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 Act of 2009.

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