

October 3, 2001

TO: All County Assessors

FROM: Sandra G. Guilfoil, Assistant Director
Property Tax Division

SUBJECT: I-747 Q&A

The Department of Revenue has received several questions regarding the effect Initiative 747 would have on the calculation of property tax levies should it pass in the election on November 6th. In response, the Department has prepared this document to provide county assessors, taxing districts, and other interested parties with information regarding the provisions of the Initiative.

Initiative 747 would amend existing statutes to limit taxing districts to a 1 percent increase in property tax levies. Levies could increase by more than 1 percent only if approved by a majority of the voters within the taxing district.

Q. What is the effective date of Initiative 747 should it pass?

A. *The Initiative does not contain an effective date. So, if I-747 passes, it will become effective 30 days after the election. The Initiative would be effective for levies calculated in 2001 for taxes collected in 2002.*

Q. Could levies of junior taxing districts "pop up" or increase as a result of I-747?

A. *It is possible some junior districts could realize additional levy capacity under Initiative 747. With levy increases limited to the lesser of one percent or the rate of inflation, some senior districts may have lower levy rates than without I-747. Lower levy rates would result in additional capacity under the one-percent constitutional limit and the \$5.90 aggregate limit. The additional capacity could lessen or eliminate the need for prorating junior taxing districts' levy rates. In this manner, some junior taxing districts could realize higher levy rates if Initiative 747 passes.*

Q. How does I-747 affect the ability to use previously banked levy capacity?

A. *Initiative 747 neither repeals nor amends RCW 84.55.092, the statute allowing taxing districts to bank levy capacity. I-747, should it pass, does not affect any taxing district's previously banked levy capacity. So if, for example, a taxing district had banked levy capacity available for its use (assuming that all other applicable restrictions on levies are being observed), the taxing district could increase its levy in a year after the Initiative has taken effect by one percent over the amount of its previous maximum lawful levy. This could mean that a taxing district's levy amount would have a one-year increase in excess of one percent.*

The following example shows how banked levy capacity could be used subsequent to passage of I-747:

Year	Maximum Lawful Levy	Actual Levy Amount	Banked Levy Capacity	Increase Over Prior Year Levy
2000 Levy (2001 Collection)	\$50,000	\$45,000	\$5,000	
2001 Levy (2002 Collection)	\$50,500 (\$50,000 x 101%)	\$50,500	0	12.2%

This example assumes the appropriate resolution or ordinance has been adopted by the taxing district, the rate of inflation is greater than 1 percent, and does not consider increases available to taxing districts for new construction, improvements to property, and increases in the value of state-assessed property.

Q. Does Initiative 747 affect a taxing district's ability to accrue banked levy capacity?

A. The Initiative will have an affect on a taxing district's ability to bank levy capacity in the future, simply because the maximum levy increase has been lowered from a maximum of one hundred six percent to one hundred one percent. It is conceivable that a taxing district would take less than the one-percent increase allowed under the Initiative and thus "bank" some levy capacity, but the amount that is bankable will be substantially reduced under the Initiative.

Q. Is the base used in calculating a taxing district's levy the amount levied in the prior year?

A. *RCW 84.55.092, Protection of Future Levy Capacity, allows local taxing districts to calculate levies based on the maximum lawful levy since 1985 for taxes payable in 1986. Initiative 747 does not affect the provisions of this statute. So, if a taxing district voluntarily levied less than its maximum levy amount in the prior year (the district has "banked" levy capacity), the base for calculating its levy would be something other than the amount levied in the prior year.*

Q. Would taxing districts still be required to adopt resolutions or ordinances in order to increase their levies?

A. Yes. Initiative 747 does not change any of the requirements imposed by Referendum 47 with respect to the need for passage of resolutions or ordinances in order for taxing districts to increase their levies. A taxing district with a population below 10,000 would need to adopt a resolution/ordinance by a simple majority vote of its governing body to increase its levy by up to one percent. Taxing districts whose populations are 10,000 or more could increase their levies by the lesser of one percent or the rate of inflation, with adoption of a resolution/ordinance by a simple majority of the governing body. If the rate of inflation is less than one percent, the taxing district could increase its levy by up to one percent with a finding of substantial need and passage of a second resolution/ordinance by a supermajority vote of the governing body.

Q. Does I-747 apply to all levies?

A. *The limitations in Initiative 747 apply to all regular levies, including voter-approved regular levies such as Emergency Medical Services levies. Thus, for example, a six-year voter approved Emergency Medical Service levy would be subject to the provisions contained in I-747 in the second through sixth years of the levy. I-747 does not apply to voter-approved excess or "special" levies.*

Q. Can a taxing district ask voters to approve an increase of more than one percent for multiple years at a single election?

A. *Initiative 747 would allow taxing districts to exceed the one percent limitation if approved by voters "at an election as provided in RCW 84.55.050." The statute referenced is the law that allows taxing districts to do a "lid lift." Under the provisions*

of RCW 84.55.050, taxing districts may levy an amount in excess of the levy limit (one percent under I-747) with approval of a majority of the voters of the district.

In the year the lid lift is approved by the voters, the levy is set based on the levy rate contained in the ballot proposition. In the following year, the levy could increase by up to one percent over the amount approved by the voters, depending on the resolutions/ordinances adopted by the taxing district.

RCW 84.55.050 requires the vote to occur no more than 12 months prior to the time the levy is to be made. Therefore, taxing districts could not ask voters for increases of more than one percent for multiple years at the same election.

Q. How would passage of I-747 affect a lid lift approved by the voters at either the same election or in a prior election?

A. *Initiative 747 limits levy increases to the lesser of one percent or the rate of inflation unless voters approve a larger increase. If voters have approved a lid lift, the taxing district would be allowed to levy the amount approved by the voters, regardless of whether the lid lift was approved at the same election as Initiative 747 or at a previous election.*

Q. What is the effect if a taxing district adopts a resolution or ordinance to bank levy capacity before I-747's effective date?

A. *Should I-747 pass, assessors will be bound by its provisions when setting levies. Levies would be limited to a one-percent increase above the taxing district's maximum lawful levy since 1985 for taxes payable in 1986, assuming the districts have adopted the appropriate resolutions or ordinances. Districts that did not adopt resolutions or ordinances in prior years to bank levy capacity could not do so now, prior to the effective date of I-747, to increase levy capacity.*