

# Initiative Measure No. 1035

Filed

JAN 14 2009

SECRETARY OF STATE

## COMPLETE TEXT

AN ACT Relating to protecting taxpayers by limiting the tax burden on Washington's citizens; adding a new section to chapter 43.135 RCW; amending RCW 84.52.065; adding new sections to chapter 36.33 RCW; adding new sections to Title 35 RCW; adding new sections to Title 35A RCW; amending RCW 84.52.043; amending RCW 84.55.010; and creating new sections.

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

## POLICIES AND PURPOSES

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

Intent of sections 2(7), 4(7), 6(7) and 8(7): Voter-approved increases in revenue are exempt from this measure's revenue limit.

This includes binding votes of the people and does not include a revenue increase approved by an advisory vote. The language of this act is clearly 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 base levy.

Intent of sections 2(8), 4(8), 6(8) and 8(8): In order to ensure affordability, sustainability, and predictability of the people's tax burden, the rate of growth of general fund revenue, not including new voter-approved revenue, shall not exceed inflation and population growth. The general fund revenue limit for 2010 will be the revenue collected and received in 2009, adjusted for inflation for 2009 and population growth using determinations by the office of financial management in 2009 and 2010 (new voter-approved revenues are exempt). The general fund revenue limit in 2011 will be the general fund revenues received in 2010 that do not exceed the limit for 2010, adjusted for inflation and population growth using determinations by the office of financial management in 2010 and 2011 (new voter-approved revenues are exempt). The people want the revenue limit for any year to be the previous year's general fund revenue plus an adjustment for that year's inflation and population growth. This will ensure that the rate of growth of our tax burden does not exceed the taxpayers' ability to afford it.

Intent concerning inflation and population growth: This measure limits state, county, and city general fund revenue increases, not including new voter-approved increases, to inflation and population growth. The office of financial management reports the bureau of economic analysis' calculation for annual inflation on March 27 following each calendar year; this measure uses that calculation to define inflation. The office of financial management annually develops and tracks populations for the state, counties, and cities and generally reports its determinations each year on June 30. It is an extensive, detailed and long-standing demographic program. This measure defines population growth as the percentage change in

population based on those determinations made in the current year and the previous year; this measure uses those calculations to define population growth.

Intent of section 11: Property tax increases are currently limited to one percent per year. This measure makes no change to the calculation of that limit. Instead, it requires a reduction in property taxes when general fund revenues exceed the revenue limit.

Intent related to reserve accounts: This measure exempts fund transfers in and out of the constitutionally required rainy day fund for the state. In regard to cities and counties, this measure makes no change to the ability of any city or county to use existing and future reserve funds to supplement their general fund revenue when revenue is below their revenue limit.

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 an affordable, sustainable level and by reducing our state's crushing 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 INFLATION AND POPULATION GROWTH. 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) The growth rate of state government general fund revenue, not including new voter-approved revenue, must be limited to inflation

and population growth. As provided in subsection (8) of this section, any revenues received above this limit must be deposited into a new account hereby created called the "Lower State Property Taxes Account." All revenues received during a year which are deposited in this account must 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. "General fund revenue" does not include revenue received from the federal government.

(3) For the purposes of this section, "inflation" means the annual percentage change in the implicit price deflator for the United States as published on or about March 27 following each calendar year by the bureau of economic analysis and reported by the office of financial management.

(4) For purposes of this section, "population growth" means the percentage change in the statewide population based on the annual statewide population determinations reported by the office of financial management during the prior calendar year and the current calendar year.

(5) 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.

(6) 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.

(7) 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 the effective date of this act.

(a) To qualify for this exemption, the ballot title for any voter-approved revenue required under this section must be formulated by the attorney general and must be displayed on the ballot substantially as follows:

"The legislature has passed . . . Bill No. . . . concerning raising taxes above the state revenue cap. This bill would impose (identification of tax and description of increase), costing (most up-to-date ten-year cost projection, expressed in dollars) in its first ten years, for (identification of government program) subject to legislative reallocation.

Should this bill be:

Approved . . . [ ]

Rejected . . . [ ]"

The words "Should this bill be: Approved . . . [ ] Rejected . . . [ ]" are not counted in the thirty word limit.

(8) The limit established in subsection (1) of this section must be implemented as follows:

(a) For the first calendar year beginning after the effective date of this act, the general fund revenue, not including new voter-approved revenue, received above the amount received in 2009 adjusted by any amount necessary to reflect inflation for the 2009 calendar year and population growth, must be deposited in the "Lower State Property Taxes Account."

(b) For subsequent years, the general fund revenue, not including new voter-approved revenue, received above the amount received in the immediately prior calendar year, less any deposits into the "Lower State Property Taxes Account," adjusted by any amount necessary to reflect inflation for the immediately prior calendar

year and population growth, must be deposited in the "Lower State Property Taxes Account."

**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 must be reduced from the amount that could otherwise be levied under subsection (1) of this section by an amount equal to the gross deposits to the "Lower State Property Taxes Account" established in section 2 of this act from the previous year.

(3) The balance of the "Lower State Property Taxes Account" must 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 INFLATION AND POPULATION GROWTH.**

**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) The growth rate of each county government's general fund revenue, not including new voter-approved revenue, must be limited to inflation and population growth. As provided in subsection (8) of this section, each county must deposit revenues received above this limit in a new account created by the county called the "Lower County Property Taxes Account." All revenues received during a year which

are deposited in this account must 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, "inflation" means the annual percentage change in the implicit price deflator for the United States as published on or about March 27 following each calendar year by the bureau of economic analysis and reported by the office of financial management.

(4) For purposes of this section, "population growth" means the percentage change in the countywide population based on the annual countywide population determinations reported by the office of financial management during the prior calendar year and the current calendar year.

(5) 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.

(6) 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.

(7) 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 the effective date of this act.

(a) To qualify for this exemption, the ballot title for any voter-approved revenue required under this section must be formulated

by the county's prosecutor and must be displayed on the ballot substantially as follows:

"The legislature has passed . . . . Bill No. . . . concerning raising taxes above the county's revenue cap. This bill would impose (identification of tax and description of increase), costing (most up-to-date ten-year cost projection, expressed in dollars) in its first ten years, for (identification of government program) subject to legislative reallocation.

Should this bill be:

Approved . . . [ ]

Rejected . . . [ ]"

The words "Should this bill be: Approved . . . [ ] Rejected . . . [ ]" are not counted in the thirty word limit.

(8) The limit established in subsection (1) of this section must be implemented as follows:

(a) For the first calendar year beginning after the effective date of this act, the general fund revenue, not including new voter-approved revenue, received above the amount received in 2009 adjusted by any amount necessary to reflect inflation for the 2009 calendar year and population growth, must be deposited in the "Lower County Property Taxes Account."

(b) For subsequent years, the general fund revenue, not including new voter-approved revenue, received above the amount received in the immediately prior calendar year, less any deposits into the "Lower County Property Taxes Account," adjusted by an amount necessary to reflect inflation for the immediately prior calendar year and population growth, must be deposited in the "Lower County Property Taxes Account."

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 INFLATION AND POPULATION GROWTH.  
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) The growth rate of each city government's general fund revenue, not including new voter-approved revenue, must be limited to inflation and population growth. As provided in subsection (8) of this section, each city must deposit revenues received above this limit in a new account created by the city called the "Lower City Property Taxes Account." All revenues received during a year which are deposited in this account must 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, "inflation" means the annual percentage change in the implicit price deflator for the United States as published on or about March 27 following each calendar year by the bureau of economic analysis and reported by the office of financial management.

(4) For purposes of this section, "population growth" means the percentage change in the city wide population based on the annual city wide population determinations reported by the office of financial management during the prior calendar year and the current calendar year.

(5) 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.

(6) 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.

(7) 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 the effective date of this act.

(a) To qualify for this exemption, the ballot title for any voter-approved revenue required under this section must be formulated by the city's attorney and must be displayed on the ballot substantially as follows:

"The legislature has passed . . . Bill No. . . concerning raising taxes above the city's revenue cap. This bill would impose (identification of tax and description of increase), costing (most up-to-date ten-year cost projection, expressed in dollars) in its first ten years, for (identification of government program) subject to legislative reallocation.

Should this bill be:

Approved . . . [ ]

Rejected . . . [ ]"

The words "Should this bill be: Approved . . . [ ] Rejected . . . [ ]" are not counted in the thirty word limit.

(8) The limit established in subsection (1) of this section must be implemented as follows:

(a) For the first calendar year beginning after the effective date of this act, the general fund revenue, not including new voter-approved revenue, received above the amount received in 2009 adjusted by an amount necessary to reflect inflation for the 2009 calendar year and population growth, must be deposited in the "Lower City Property Taxes Account."

(b) For subsequent years, the general fund revenue, not including new voter-approved revenue, received above the amount

received in the immediately prior calendar year, less any deposits into the "Lower City Property Taxes Account," adjusted by an amount necessary to reflect inflation for the immediately prior calendar year and population growth, must be deposited in the "Lower City Property Taxes Account."

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

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

NEW SECTION. **Sec. 8.** A new section is added to Title 35A RCW to read as follows:

(1) The growth rate of each city government's general fund revenue, not including new voter-approved revenue, must be limited to inflation and population growth. As provided in subsection (8) of this section, each city must deposit revenues received above this limit in a new account created by the city called the "Lower City Property Taxes Account." All revenues received during a year which are deposited in this account must 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, "inflation" means the annual percentage change in the implicit price deflator for the United States as published on or about March 27 following each calendar year by the bureau of economic analysis and reported by the office of financial management.

(4) For purposes of this section, "population growth" means the percentage change in the city wide population based on the annual city wide population determinations reported by the office of

financial management during the prior calendar year and the current calendar year.

(5) 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.

(6) 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.

(7) 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 the effective date of this act.

(a) To qualify for this exemption, the ballot title for any voter-approved revenue required under this section must be formulated by the city's attorney and must be displayed on the ballot substantially as follows:

"The legislature has passed . . . . Bill No. . . . concerning raising taxes above the city's revenue cap. This bill would impose (identification of tax and description of increase), costing (most up-to-date ten-year cost projection, expressed in dollars) in its first ten years, for (identification of government program) subject to legislative reallocation.

Should this bill be:

Approved . . . [ ]

Rejected . . . [ ]"

The words "Should this bill be: Approved . . . [ ] Rejected . . . [ ]" are not counted in the thirty word limit.

(8) The limit established in subsection (1) of this section must be implemented as follows:

(a) For the first calendar year beginning after the effective date of this act, the general fund revenue, not including new voter-approved revenue, received above the amount received in 2009 adjusted by an amount necessary to reflect inflation for the 2009 calendar year and population growth, must be deposited in the "Lower City Property Taxes Account."

(b) For subsequent years, the general fund revenue, not including new voter-approved revenue, received above the amount received in the immediately prior calendar year, less any deposits into the "Lower City Property Taxes Account," adjusted by an amount necessary to reflect inflation for the immediately prior calendar year and population growth, must be deposited in the "Lower City Property Taxes Account."

NEW SECTION. **Sec. 9.** A new section is added to Title 35A RCW to read as follows:

Any city's property tax levy must be reduced from the amount that could otherwise be levied under RCW 84.52.043 of this section by an amount equal to the gross deposits to that city's "Lower City Property Taxes Account" established in section 8 of this act from the previous year.

**Sec. 10.** 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 must be further adjusted as provided in sections 2, 4, 6 and 8 of this act.

**Sec. 11.** RCW 84.55.010 and 2006 c 184 s 1 are each amended to read as follows:

Except as provided in this chapter, the levy for a taxing district 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 plus revenues deposited as provided in sections

2(7), 4(7), 6(7) and 8(7) of this act 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, increases in assessed value due to construction of electric generation wind turbine facilities classified as personal property, 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. The adjustments provided in sections 2, 4, 6, and 8 of this act provide a limitation on property tax levies which is in addition to the limit factor in this section.

#### **CONSTRUCTION CLAUSE**

NEW SECTION. **Sec. 12.** 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. 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.

#### **MISCELLANEOUS**

NEW SECTION. **Sec. 14.** Subheadings used in this act are not part of the law.

NEW SECTION. **Sec. 15.** This act shall be known and cited as the Lower Property Taxes Act of 2009.

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