

#### 4.4.2 Levy Limit Lid-Lift

RCW 84.55.050 -- Election to Authorize Increase.

As the levy limitation is applied to a district's budget over the years, the rate a district is allowed to levy on taxpayers tends to drift downward from the maximum statutory levy rate. Occasionally, a district will need to raise the levy limitation in order to increase funds. A district may ask its voters to authorize it to levy an amount that exceeds the levy limitation or "lift the levy lid." Lid lifts may result in increasing the limit factor for 1 year or up to 6 consecutive years. The result of the limit factor increase can temporarily or permanently impact future levy limit calculations

#### **BALLOT MEASURES**

A taxing district that wants to levy an amount in excess of the levy limitation must first receive approval by a majority of the district's voters. Slightly different provisions apply depending on whether the levy limitation will be exceeded for a single year lid lift, or multiple year lid lifts, up to 6 consecutive years.

##### Single Year Lid Lift:

- Allows a district to increase its levy by more than 1 percent over its highest lawful levy since 1985/1986 for 1 year.
- Requires approval of a simple majority of voters.
- May be voted at a primary or general election.
- Must be approved not more than 12 months prior to when the lid lift will be imposed.
- The ballot must contain the proposed levy rate for the first year of the lid lift
- Is temporary unless the ballot specifically states the resulting levy will be used for future levy limit calculations.
- May include language to limit the levy increase for a specific timeframe and/or specific purpose.

##### Multiple Year Lid Lift:

- Allows a district to increase its levy by more than 1 percent over its highest lawful levy since 1985/1986 for up to 6 consecutive years.
- The ballot must contain the proposed levy rate for the first year of the lid lift.
- The ballot title must contain the limit factor or specific index used to determine the limit factor.
- Requires approval of a simple majority of voters.

- May be voted at a primary or general election.
- Must be approved not more than 12 months prior to the first year of the lid lift.
- The ballot must contain the limited purpose for the increased levy.
- Is temporary unless the ballot specifically states the final levy will be used for future levy limit calculations.
- May include language to limit the levy increase for a specific timeframe and/or specific purpose.
- Funds raised can be used to supplant existing funds beginning with levies approved by the voters after July 26, 2009. In counties with a population of 1.5 million or more, funds raised can be used to supplant existing funds for levies approved by the voters between July 26, 2009, and December 31, 2011.

ENGROSSED SUBSTITUTE SENATE BILL 6424

State of Washington

61st Legislature

2010 Regular Session

By Senate Ways & Means (originally sponsored by Senators Regala and Fairley; by request of Governor Gregoire)

READ FIRST TIME 02/09/10.

1 AN ACT Relating to local excise tax authorities for counties and  
2 cities; amending RCW 82.14.450, 82.14.340, and 9.46.113; amending 2009  
3 c 551 s 12 (uncodified); and providing an expiration date.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

*CRIMINAL JUSTICE SALES TAX UP TO 3/10THS OF 1%*

5 **Sec. 1.** RCW 82.14.450 and 2009 c 551 s 1 are each amended to read  
6 as follows:

7 (1) A county legislative authority may submit an authorizing  
8 proposition to the county voters at a primary or general election and,  
9 if the proposition is approved by a majority of persons voting, impose  
10 a sales and use tax in accordance with the terms of this chapter. The  
11 title of each ballot measure must clearly state the purposes for which  
12 the proposed sales and use tax will be used. (~~Funds raised under this~~  
13 ~~tax shall not supplant existing funds used for these purposes, except~~  
14 ~~as follows: Up to one hundred percent may be used to supplant existing~~  
15 ~~funding in calendar year 2010; up to eighty percent may be used to~~  
16 ~~supplant existing funding in calendar year 2011; up to sixty percent~~  
17 ~~may be used to supplant existing funding in calendar year 2012; up to~~  
18 ~~forty percent may be used to supplant existing funding in calendar year~~  
19 ~~2013; and up to twenty percent may be used to supplant existing funding~~

1 in calendar year 2014. For purposes of this subsection, existing funds  
2 means the actual operating expenditures for the calendar year in which  
3 the ballot measure is approved by voters. Actual operating  
4 expenditures excludes lost federal funds, lost or expired state grants  
5 or loans, extraordinary events not likely to reoccur, changes in  
6 contract provisions beyond the control of the county or city receiving  
7 the services, and major nonrecurring capital expenditures.) The rate  
8 of tax under this section may not exceed three-tenths of one percent of  
9 the selling price in the case of a sales tax, or value of the article  
10 used, in the case of a use tax.

11 (2) The tax authorized in this section is in addition to any other  
12 taxes authorized by law and must be collected from those persons who  
13 are taxable by the state under chapters 82.08 and 82.12 RCW upon the  
14 occurrence of any taxable event within the county.

15 (3) The retail sale or use of motor vehicles, and the lease of  
16 motor vehicles for up to the first thirty-six months of the lease, are  
17 exempt from tax imposed under this section.

18 (4) One-third of all money received under this section must be used  
19 solely for criminal justice purposes, fire protection purposes, or  
20 both. For the purposes of this subsection, "criminal justice purposes"  
21 has the same meaning as provided in RCW 82.14.340.

22 (5) Money received under this section must be shared between the  
23 county and the cities as follows: Sixty percent must be retained by  
24 the county and forty percent must be distributed on a per capita basis  
25 to cities in the county.

26 ~~Sec. 2. RCW 82.14.340 and 1995 c 309 s 1 are each amended to read~~  
27 ~~as follows:~~

28 ~~(1) The legislative authority of any county may fix and impose a~~  
29 ~~sales and use tax in accordance with the terms of this chapter,~~  
30 ~~provided that such sales and use tax is subject to repeal by~~  
31 ~~referendum, using the procedures provided in RCW 82.14.036. The~~  
32 ~~referendum procedure provided in RCW 82.14.036 is the exclusive method~~  
33 ~~for subjecting any county sales and use tax ordinance or resolution to~~  
34 ~~a referendum vote.~~

35 ~~(2) The tax authorized in this section ((shall be)) is in addition~~  
36 ~~to any other taxes authorized by law and ((shall)) must be collected~~  
37 ~~from those persons who are taxable by the state pursuant to chapters~~

## WA STATE DOR 2009 LEVY MANUAL

### **6.4 Road Levy Shift**

Washington law allows county governments to collect two separate property tax levies. These are levies for the Current Expense Fund and the Road Fund. The Current Expense Fund is limited to collecting no more than \$1.80 per \$1,000 of assessed value for the general operating budget of county government. The County Road Fund is limited to collecting no more than \$2.25 per \$1,000 of assessed value to be used for "proper county road purposes." (See RCW 36.82.020.) At the option of the county legislative authority, some of the levy capacity of the County Road Fund may be shifted to increase the Current Expense Fund. RCW 84.52.043 allows the shift between these two funds to take place if after the shift the Current Expense Fund does not exceed \$2.475 per \$1,000 of assessed value (the corresponding Road Fund Levy would be \$1.575) with the combined County Current Expense and County Road Fund levy rates not exceeding \$4.05 per \$1,000 of assessed value. Also, no other taxing district can be harmed, i.e., lose levying capacity, because of the shift. This shift enables the general operating budget of a county to receive additional operating revenues without increasing the total amount of property tax the county is entitled to receive. Funds are just shifted from the Road Fund to the Current Expense Fund. Both funds are restricted by the six property tax limitations: (1) the budget approved by the taxing district's governing authority; (2) the amount authorized by the resolution/ordinance; (3) the levy limit; (4) the statutory rate limitation; (5) the aggregate rate limitation (the \$5.90 limitation); and (6) the constitutional 1 percent limitation.

## COUNTY ROAD ADMINISTRATION BOARD GUIDANCE ON ROAD LEVY SHIFT

### LEVY SHIFTS

A levy shift is a means of transferring revenue capacity from the county road levy to the current expense levy without diversion.

RCW 84.52.043 permits the current expense levy to be increased from \$1.80 per \$1000 of assessed valuation to a maximum of \$2.475 per \$1000 of assessed valuation, provided: The combination of the current expense and road levies does not exceed \$4.05, and no other taxing district has its levy reduced due to this action

Since the allowable sum of these two senior levies remains at \$4.05 per \$1000 of assessed valuation, a levy shift may result in a decrease in the road levy rate.

A levy shift may be considered by some counties because it increases current expense revenue, and it may increase overall county revenue as well. This can occur because the road levy is assessed only in the unincorporated area of the county, while the current expense levy is assessed countywide, including incorporated cities and towns. Though possible, it is uncommon for the road department to be reimbursed for its shifted revenue losses, and for current expense to gain solely from the revenues generated from the increased extent of the assessment base. By doing so, it is possible in some counties for the current expense fund to gain an advantage without impacting the road department.

A levy shift differs from diversion in that a shift may be accomplished for any general government purpose of the county and carries no restriction which might impact RAP eligibility.

Counties who wish to consider a levy shift should investigate existing capacity within both the road and current expense levies as well as determine if there is a possibility of impacting any junior taxing district within the county.