

SB 5770 would overturn Initiative 747 property tax limitation that was passed by the voters in 2001

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Key Findings

- 1. In 2001, voters enacted a law that limits increases in regular property tax collections state and local officials can impose, to 1% per year.**
- 2. The policy was affirmed by most lawmakers of both parties and supported by Democratic Governor Christine Gregoire.**
- 3. This modest tax-limitation policy works well; state and local governments are well funded, revenues are rising while keeping yearly property tax increases at a more reasonable level.**
- 4. The 1% limit restricts the greed of some public officials whose constant complaints about wanting more money comes across as mean-spirited and insensitive.**
- 5. Now some state lawmakers want to take away the 1% property tax limit, and expose owners of homes, farms, condos and businesses to yearly increases of up to 3%.**
- 6. The bill, SB 5770, would represent a 300% boost in the yearly increase in money officials take from the public.**
- 7. The financial burden of SB 5770 would fall hardest on the poor, immigrants, working families and elderly people living on fixed incomes.**

Introduction

In 2001, Initiative 747, which limited property tax increases to 1% per year, was passed by the voters of Washington by a margin of 58% to 42%.

Prior to passage of the initiative, cities and counties were able to raise their regular property tax collections by 6% per year and many cities

and counties did so every year. After legal action struck down the initiative at the state supreme court, Governor Christine Gregoire called the legislature into special session and subsequently re-instated the voter-approved cap. The tax-limitation bill had overwhelming bipartisan support, with 85% of both chambers voting in the affirmative.

Text of SB 5770

Now some lawmakers in Olympia want to overturn the popular voter approved 1% tax limit and triple the cap to 3%.

SB 5770, introduced by Democratic Senator Jamie Pederson, would not only triple the 1% cap to 3%, but also would change the rules used to define how the 3% cap is calculated to make it much easier for local officials to raise the property tax each year.

The Association of Washington Cities, which is funded in part with taxpayer dollars, is strongly advocating for the tax increase. Local elected officials in Washington towns and cities stand to benefit most under the bill, because they would receive huge dollar increases in the budgets they control.

Washington's high property tax burden

Washington property owners already struggle with massive property tax increases, driven by high property values and annual tax increases. Under SB 5770 they would see their tax burden go up even further. Each year the 3% increase is applied would compound the revenue the state and local municipalities take from homeowners and other property owners. Official estimates place the increased money going to state and local officials at \$12 billion over the next 10 years.

The property tax increases would make housing less affordable, working against many

other state efforts to help reduce rental and mortgage costs.

The 1% tax limit is popular and it's working

The 1% tax-limit policy is designed to apply equally to all 1,200-plus taxing jurisdictions across the state. That makes it effective because every home and business in the state is taxed by several jurisdictions at once. In Seattle, for example, a typical home is taxed by ten different sets of officials, from the state, county, and city to so-called “junior” districts for schools, parks, and transit. It adds up to the heaviest property tax burden Washington residents have ever paid, and it continues to go up every year.

Opponents of the 1% limit predicted the sky would fall. They said local police and fire services would go unfunded, that community health centers would close, that roads and bridges would fall apart, and that vital public services would be starved for cash. They said that 1,000 police officers would lose their jobs. They were wrong.

The opposite happened. Today, funding for local budgets is at record highs, and state officials take more money from the public today than at any time in state history. One reason is that the carefully-crafted 1% limit policy applies to only one type of revenue – the regular property tax. The amount of revenue officials take through other taxes continues to soar.

In addition, elected officials can always ask the community for property tax increases with no limit at all, subject to a public vote. Officials can also ask voters for increases in other taxes, again, without limit.

Elected officials have plenty of money

Even with the popular 1% cap in place the state is bringing in record tax revenues. For 2024 the estimate is \$71 billion per bi-annum, which is an increase of \$27 billion in tax collections in just five years. Local governments are receiving similar windfalls. The state does not need to increase property taxes. A property tax cut instead, evenly applied, would help with affordability in the rental and homeowner real estate market.

Repealing tax limitation makes public officials look greedy

On balance, the 1% property tax limit works as a modest brake on the greed of some state and local officials who, in their incessant desire for money, talk as if the public never pays them enough.

Despite rising tax collections, constant complaints from officials about perceived revenue “shortfalls” come across as mean-spirited and insensitive to the real-world money worries of working families and homeowners. Repealing a popular tax limit makes it look like they want to make their job easier by taking more money from their constituents.

The repeal bill undermines confidence in our democracy; the people pass a popular law, it is working well, and now with SB 5770 some lawmakers seek to overturn it. The repeal bill actively works against restoring trust in our public institutions.

Conclusion

Lawmakers need to get serious about housing affordability instead of hurting the homeowners and renters of Washington by arbitrarily increasing taxes.

Washington's 1% property tax limit is one of the most successful homeowner protection policies in the country. Without starving government, it is helping elderly people stay in their homes, helping young couples afford a home, and helping keep at least some housing stock in many communities affordable.

Leaving a modest voter-approved tax-limitation policy in place would serve the public interest by showing respect for a democratic decision made by the people of our state. The 1% property tax limit policy is a proven success and one that has been confirmed by a large majority of lawmakers of both parties.

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