



INITIATIVE MEASURE 722

PROPOSED TO THE PEOPLE

Official Ballot Title:

Shall certain 1999 tax and fee increases be nullified, vehicles exempted from property taxes, and property tax increases (except new construction) limited to 2% annually?

Note: The ballot title and explanatory statement were written by the Attorney General as required by law. The complete text of Initiative Measure 722 begins on page 25.

Statement For

**POLITICIANS OVERREACTED TO I-695
BY RAISING TAXES IN 1999 –
270,000 PETITION SIGNERS THINK THAT'S UNFAIR**

In the final months of 1999, politicians throughout the state increased many taxes and fees in an obvious attempt to get around I-695's voter-approval-for-tax-increases requirement (which started January, 2000). They were premature – the Legislature prioritized programs previously funded by license tab fees and used part of the \$1 billion tax surplus to help them. Isn't it fair for I-722 to now get rid of those unfair increases? (voter approved tax increases – like school levies – would not be invalidated). If politicians think their tax increases are truly needed, they can reintroduce them and voters can decide whether they're necessary or not.

**POLITICIANS ALSO CIRCUMVENTED I-695 BY
SHIFTING MORE TAXES ONTO PROPERTY OWNERS –
I-722 STOPS THEM**

I-722 prevents property tax assessors from sticking our vehicles on the property tax rolls (as they repeatedly threatened to do) and prevents them from jacking up property taxes to get around I-695's voter approval requirement. I-722 limits property tax increases to a fair 2% annual cap. Property taxes are simply skyrocketing in our state – unless we defuse this "property tax time bomb" now with I-722, only rich people will be able to afford a home in Washington.

**THE GOVERNMENT WILL OBVIOUSLY
ADJUST TO I-722 (THE SAME WAY WE ADJUST
WHEN THEY RAISE OUR TAXES)**

As far as "lost revenue" is concerned, politicians simply can't complain – I-722 doesn't take away any more money from the government than they had in 1999. Besides, even

after the passage and implementation of I-695, the government still has a \$1 billion tax surplus.

**WE KNEW OUR INITIATIVE WOULD BE ATTACKED,
SO WE PURPOSELY MADE I-722
A VERY MODERATE PROPOSAL**

I-722 doesn't slash property taxes, it simply limits property tax increases. Please vote "Yes" and tell the politicians to stop ignoring the taxpayers – after all, we're paying the bills.

For more information, call 425.493.8707 or visit www.i-722.org.

Rebuttal of Statement Against

When voters overwhelmingly approved I-695 last year, they expected \$30 tabs and voter-approval-for-tax-increases. I-722 is necessary to reaffirm voters' intent – "tax and fee increases imposed without voter approval are unacceptable." Let's protect our rights! And under I-722, no one will pay more for property taxes, everyone will pay less. I-722 carefully follows state supreme court rulings and exercises a legitimate exemption to ensure neighborhood preservation by making property tax increases predictable and uniform. Vote "Yes."

Voters Pamphlet Statement Prepared by:

TIM EYMAN, proud of our volunteers who got I-722 signatures; MONTE BENHAM, outraged, 23% property tax increase in Pasco; JACK FAGAN, infuriated, 27% property tax increase on Bainbridge Island; CONRAD KRACK, fisherman, property tax valuation increased 33%, Seattle; TED THEODORE, disabled, property tax valuation increased 46%, Medical Lake; DIANE AUBREY, sold her home because property tax increases, Richland.

The law as it presently exists:

Initiative Measure No. 695, which went into effect on January 1, 2000, prohibits "the state" from enacting "tax increases" without voter approval. Initiative No. 695 defines the term "state" to include all political subdivisions and local governments as well as the state government and its agencies. Initiative No. 695 defines the term "tax" to include not only traditional taxes but also certain fees and charges, such as license fees, permit fees, and impact fees. Before January 1, 2000, various laws permitted the state and local governments to establish certain taxes and fees without voter approval, although there were exceptions.

Another portion of Initiative Measure No. 695 repealed certain statutes relating to motor vehicle excise taxes, including a statute that exempted motor vehicles from property taxes so long as they were subject to motor vehicle excise tax (RCW 82.44.130). This repeal raised an issue whether motor vehicles were now subject to personal property tax. However, the 2000 session of the legislature

passed a new law making motor vehicles, travel trailers, and campers exempt from property tax (Laws of 2000, ch. 136).

Property taxes are levied each year by the state and by local governments on taxable property (most real property and certain types of personal property) held in this state. Property taxes are assessed against the value of the property, which is determined each year by the county assessors. Existing law requires property to be valued at 100% of its true and fair value (RCW 84.40.030).

The amount of property tax levied each year depends on the levy decisions of the various taxing districts. The term "taxing district" includes the state itself and any local government with authority to impose a property tax. Both the state constitution and state statutes limit the aggregate of all regular tax levies on any real and personal property, generally to a total of 1% of the property's true and fair value (Const., art. VII, § 2; RCW 84.52.050, .043). The 1% limitation does not apply to voter-approved levies.

State statutes also limit the amount each taxing district

(continued on page 22)

Statement Against

Voters in Washington State sent a message last year when they approved Initiative 695, which reduced the tax on auto tabs. The impacts are still being sorted out. It is not time to impose "the Son of 695" until the consequences are fully realized.

I-722 IS UNNECESSARY.

Initiative 722 would exempt vehicles from the property tax. The Legislature has already exempted them, making this measure unnecessary.

I-722 IS UNFAIR.

This initiative would change the property tax in a way that would shift the burden of the tax. Owners of expensive property would pay less than they would under the current system and owners of average or less valuable property would pay more than under the current system.

This initiative hurts small farmers, residents and businesses in rural areas. Owners of property with stable or falling value would pay more under Initiative 722 than they would pay under the present system, which is based on fair market value. People who are already struggling will be hurt the most.

I-722 IS A PIECEMEAL EFFORT TO ADDRESS COMPLEX TAX PROBLEMS.

No one likes to pay taxes, but some taxes are necessary. Our tax system should be fair, comprehensive and carefully thought out. Initiative 722 would take further steps to reduce taxes for the wealthy and impose them on the middle class. It is the wrong measure, at the wrong time.

I-722 WILL SURELY FACE A COURT CHALLENGE.

Many believe these tax changes will not meet the requirements of the state Constitution.

Vote No on I-722.

Rebuttal of Statement For

I-722 irresponsibly depletes our state's emergency fund and weakens our ability to save. Prudent family budgeters know better.

Here's the real story. Expecting I-695 shortages, elected officials acted to protect public services essential to our most vulnerable—elderly, children, disabled.

Legislators didn't circumvent I-695. They passed SSB6115 exempting vehicles from property tax.

Don't be fooled. I-722 is not "moderate"—it provides windfalls for high-value property owners by shifting the burden to small homeowners and businesses.

Voters Pamphlet Statement Prepared by:

ELIZABETH PIERINI, President, League of Women Voters of Washington; TOM ALBRO, Chairman, Municipal League of King County; GENE LUX, President, People for Fair Taxes.



INITIATIVE MEASURE 722 (continued from page 11)

The law as it presently exists (continued):

may increase its regular tax levy over the overall amount collected in previous years. Under this "limitation factor" regular property taxes levied by a taxing district generally may not exceed the lower of 106% or 100% plus inflation, multiplied by the amount collected in the highest of the three most recent years. In other words, a taxing district may increase its levy by no more than the lower of (a) the previous year's inflation rate or (b) 6% over the highest of the three previous years. Taxing districts with fewer than 10,000 residents are limited by only the 106% limitation, and not the inflation factor. Other taxing districts, but not the state, may increase their levies up to the 106% level if they follow special procedures and find a substantial need. (RCW 84.55.010, .0101). These limitations do not apply to increases in property value due to new construction.

Local taxing districts that have not levied the full amounts legally available in prior years may levy the amount that would be allowed under the "limitation factor" if the district had levied the full allowable amounts in each year beginning with 1986. The statute, RCW 84.55.092, provides that the purpose of this section is to remove the incentive for a taxing district to maintain its tax levy at the maximum level in order to protect future levy capacity. This provision does not apply to the state.

The effect of the proposed measure, if it becomes law:

This measure would declare "null and void" any tax increases adopted without voter approval by state and local governments in Washington between July 2, 1999, and December 31, 1999, and would require that any such increase be refunded to the taxpayers. The term "tax" would include sales and use taxes; property taxes; business and occupation taxes; fuel taxes; impact fees; license fees; permit fees; water, sewer, and other utility charges, including taxes, rates, and hook-up fees; and other excise taxes, fees, or monetary charges imposed.

This measure would also state that motor vehicles are exempt from property taxes as long as the retail sales tax is applied to vehicles.

The measure would further provide that, so long as sales of property are subject to local real estate excise tax, a person would be exempt from a legal obligation to pay that portion of property taxes attributable to any increase in value of property (other than for new construction or manufacture) over its 1999 valuation level, plus the lesser of 2% per year or inflation. As long as construction materials are subject to the retail sales tax, a person would be exempt from a legal obligation to pay the portion of property tax on newly constructed or manufactured property after 1999 over the property tax imposed on the owner of a comparable property constructed as of 1999, plus the lesser of 2% per year or inflation.

The measure would also create an exemption from property tax for increases in tax attributable to maintenance improvements made after January 1, 1999. "Maintenance improvements" would include reconstruction after fire and natural disaster or replacement of existing components such as roofs, siding, windows, doors, and painting.

The measure would also amend RCW 84.55.005 to change all of the "106%" limitation factors on property tax levy increases to "102%." The new limit factors would be the lower of 102% or inflation, with the same exceptions for certain taxing districts as are provided in existing law. In other words, a taxing district could increase its levy by no more than the lower of (a) the previous year's inflation rate or (b) 2% over the highest of the three previous years.

The measure would repeal RCW 84.55.092. Taxing districts not levying the maximum amount in prior years would no longer be able to "recapture" levy capacity in future levies.



INITIATIVE MEASURE 728 (continued from page 13)

The effect of the proposed measure, if it becomes law (continued):

The measure would take the state lottery revenues currently deposited in the general fund and would divide these between the education construction fund and the student achievement fund. Until June 30, 2002, 50% of the revenues would be placed in each of the two funds. From 2002 to 2004, 75% of the revenues would be placed in the student achievement fund and 25% in the education construction fund. After July 1, 2004, all state lottery revenues (after meeting other obligations) would be placed in the education construction fund.

The measure would require that a portion of the proceeds of the state property tax levy be deposited in the student achievement fund to be distributed directly to school districts. From 2001 to 2003, \$140.00 per student would be distributed to each school district each year, based on the average number of full-time equivalent students in the school district during the previous school year. Starting with calendar year 2004, this amount would be increased to \$450.00 per student, adjusted each year for inflation.

The measure would provide that the dedication of lottery revenues and property tax revenues would not change the state expenditure limit.

The measure would also change the distribution of any revenues received in excess of the maximum allowed in the emergency reserve fund. Seventy-five percent of excess revenues would be transferred to the student achievement fund and 25% to the general fund balance. The percent placed in the student achievement fund would be reduced when the state's per-student funding of K-12 education meets a level of 90% of the national average of total funding for students as calculated by the United States Department of Education.



COMPLETE TEXT OF Initiative Measure 713 (cont.)

penalties, the director shall revoke the trapping license of any person convicted of a violation of section 3 or 4 of this act. The director shall not issue the violator a trapping license for a period of five years following the revocation. Following a subsequent conviction for a violation of section 3 or 4 of this act by the same person, the director shall not issue a trapping license to the person at any time.

NEW SECTION. Sec. 6. 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.



COMPLETE TEXT OF Initiative Measure 722

AN ACT Relating to limiting taxes; amending RCW 84.55.0101; reenacting and amending RCW 84.55.005; adding a new section to chapter 84.55; adding new sections to chapter 84.36 RCW; creating a new section; and repealing RCW 84.55.092.

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

LIMITING TAXES BY INVALIDATING 1999 TAX INCREASES IMPOSED WITHOUT VOTER APPROVAL

NEW SECTION. Sec. 1. A new section is added to chapter 84.55 RCW to read as follows:

(1) Any tax increase adopted by the state from July 2, 1999, through December 31, 1999, is null and void and of no effect. All taxes collected as a result of such tax increases shall be refunded to the taxpayer.

(2) For the purposes of this section, "tax" includes, but is not necessarily limited to, sales and use taxes; property taxes; business and occupation taxes; fuel taxes; impact fees; license fees; permit fees; water, sewer, and other utility charges, including taxes, rates, and hook-up fees; and any other excise tax, fee, or monetary charge imposed by the state.

(3) For the purposes of this section, "tax" does not include:

- (a) Higher education tuition;
- (b) Civil and criminal fines and other charges collected in cases of restitution or violation of law or contract; and
- (c) The price of goods offered for sale by the state.

(4) For the purposes of this section, "tax increase" includes, but is not necessarily limited to, a new tax, a monetary increase in an existing tax, a tax rate increase, an expansion in the legal definition of a tax base, and an extension of an expiring tax.

(5) For the purposes of this section, "tax increase" does not include taxes approved by a vote of the people.

(6) For the purposes of this section, "state" includes, but is not necessarily limited to, the state itself and all its departments and agencies, any city, county, special district, and other political subdivision or governmental instrumentality of or within the state.

LIMITING TAXES BY EXEMPTING VEHICLES FROM PROPERTY TAXES

NEW SECTION. Sec. 2. A new section is added to chapter 84.36 RCW to read as follows:

(1) Vehicles are exempted from property taxes as long as the retail sales tax of chapter 82.08 RCW applies to vehicles.

(2) For purposes of this section, "vehicles" include all vehicles licensed under chapter 46.16 RCW including, but not necessarily limited to, personal and business owned cars, trucks, sport utility vehicles, motorcycles, motor homes, campers, travel trailers, and mobile homes held as inventory.

(3) The purpose of this section is to exempt from property taxes all vehicles previously exempted from property taxes prior to the adoption by the people of Initiative Measure No. 695, the \$30 License Tab Initiative.

LIMITING TAXES BY EXEMPTING INCREASES IN PROPERTY TAX VALUATIONS ABOVE 2% PER YEAR

NEW SECTION. Sec. 3. A new section is added to chapter 84.36 RCW to read as follows:

(1) As long as the sale of property is subject to the real estate excise tax in chapter 82.46 RCW and unless otherwise exempt from property taxes, a person shall be exempt from any legal obligation to pay the portion of property taxes attributable to any increase in value of property (other than for new construction or manufacture) over its 1999 valuation level, plus the lesser of 2% per year or inflation.

(2) As long as construction materials are subject to the retail sales tax of chapter 82.08 RCW, a person shall be exempt from any legal obligation to pay the portion of property taxes on newly constructed or manufactured property after 1999 over the property tax imposed on the owner of a comparable property constructed as of 1999, plus the lesser of 2% per year or inflation.

(3) For purposes of this section:

- (a) "Property" means real and personal property;
- (b) "1999 valuation level" means the correct valuation shown on the property tax statement in effect on January 1, 1999;
- (c) "Inflation" means the percentage change in the implicit price deflator for personal consumption expenditures for the United States as published for the most recent twelve-month period by the bureau of economic analysis of the federal department of commerce in September of the year before the taxes are payable;

(d) "New construction or manufacture" does not include reconstruction after fire or other natural disaster and does not include maintenance or replacement of existing components, such as roofs, siding, windows, doors, and parts of equipment; and



COMPLETE TEXT OF Initiative Measure 722 (cont.)

(e) "Person" means any person or entity which pays property taxes.

(4) This tax exemption is based on:

(a) The need to promote neighborhood preservation, continuity, and stability by limiting the tax burden;

(b) The fact that many property owners have sold their property, or are considering the sale of property, because of the increased tax burden caused by rapid increases in property valuations; and

(c) All property owners are entitled to know that property taxes will be predictable and uniform for every present and future property owner.

NEW SECTION. Sec. 4. A new section is added to chapter 84.36 RCW to read as follows:

(1) Increases in property tax attributable to maintenance improvements made after January 1, 1999, shall be exempt from property taxes. This exemption promotes neighborhood preservation, continuity, and stability.

(2) This section applies as long as the retail sales tax of chapter 82.08 RCW remains in effect.

(3) For purposes of this section, "maintenance improvements" includes:

(a) reconstruction after fire and natural disaster; and

(b) replacement of existing components such as roofs, siding, windows, doors, and painting.

LIMITING TAXES BY LIMITING GROWTH OF PROPERTY TAXES TO 2% PER YEAR

Sec. 5. RCW 84.55.005 and 1997 c 393 s 20 and 1997 c 3 s 201 are each reenacted and amended to read as follows:

As used in this chapter:

(1) "Inflation" means the percentage change in the implicit price deflator for personal consumption expenditures for the United States as published for the most recent twelve-month period by the bureau of economic analysis of the federal department of commerce in September of the year before the taxes are payable;

(2) "Limit factor" means:

(a) For taxing districts with a population of less than ten thousand in the calendar year prior to the assessment year, one hundred ((six)) two percent;

(b) For taxing districts for which a limit factor is authorized under RCW 84.55.0101, the lesser of the limit factor under that section or one hundred ((six)) two percent;

(c) For all other districts, the lesser of one hundred ((six)) two percent or one hundred percent plus inflation; and

(3) "Regular property taxes" has the meaning given it in RCW 84.04.140.

Sec. 6. RCW 84.55.0101 and 1997 c 3 s 204 are each

amended to read as follows:

Upon a finding of substantial need, the legislative authority of a taxing district other than the state may provide for the use of a limit factor under this chapter of one hundred ((six)) two percent or less. In districts with legislative authorities of four members or less, two-thirds of the members must approve an ordinance or resolution under this section. In districts with more than four members, a majority plus one vote must approve an ordinance or resolution under this section. The new limit factor shall be effective for taxes collected in the following year only.

LIMITING TAXES BY REPEALING LAW WHICH ALLOWS "STOCKPILING" OF FUTURE PROPERTY TAX INCREASES

NEW SECTION. Sec. 7. RCW 84.55.092 (Protection of future levy capacity) and 1998 c 16 s 3, 1988 c 274 s 4, & 1986 c 107 s 3 are each repealed.

CONSTRUCTION CLAUSE

NEW SECTION. Sec. 8. The provisions of this act are to be liberally construed to effectuate the policies and purposes of this act.

SEVERABILITY CLAUSE

NEW SECTION. Sec. 9. 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.



COMPLETE TEXT OF Initiative Measure 728

AN ACT Relating to public education and directing surplus state revenues to provide additional resources to support high standards of achievement for all students through class size reductions; extended learning opportunities for students who need or want additional time in school; investments in educators and their professional development; dedicating unrestricted lottery proceeds to schools; and authorizing school districts to receive funds from the state property tax levy; amending RCW 67.70.240, 84.52.067, 43.135.035, 43.135.045, and 28A.150.380; adding a new section to chapter 28A.505 RCW; adding a new section to chapter 84.52 RCW; creating new sections; and providing effective dates.

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

NEW SECTION. Sec. 1. This act may be known and cited as the K-12 2000 student achievement act.

NEW SECTION. Sec. 2.