

Levy Limit Factor Questions That Arise When the Implicit Price Deflator (IPD) is a Negative Value

The following questions and answers are designed to help taxing districts and assessors determine the levy limit factor when the change in the implicit price deflator (IPD) is a negative value.

Determining the Limit Factor

Q. What is the levy limit factor?

A. This is the percentage applied to a taxing district's maximum levy allowed by chapter 84.55 RCW to calculate the district's levy limit.

Q. How is the levy limit factor determined?

A. The levy limit factor is defined in RCW 84.55.005 and WAC 458-19-005:

- For taxing districts with a population of less than 10,000 in the calendar year prior to the assessment year, the limit factor is 101 percent.
- For taxing districts with a population of 10,000 or greater, the limit factor is the lesser of 100 percent plus inflation or 101 percent.
- For taxing districts with a population of 10,000 or greater having made a finding of substantial need; the limit factor is the lesser of 101 percent or the limit factor contained in the resolution or ordinance of substantial need.

Q. What is the 2010 tax year rate of inflation as used for property tax levy limits?

A. The rate of inflation is based on the percentage change in the IPD, which for the 2010 tax year is -0.848 percent (negative).

Q. Who determines the population of a taxing district?

A. The taxing district is responsible for determining its population and providing that information to the county assessor.

Q. Will the negative IPD result in a reduced levy amount?

A. Probably not. In addition to an adjustment to the maximum levy allowed based on the ordinances or resolutions adopted by the taxing district, the levy limit is increased due to new construction and other allowable items. More than likely, this increase will exceed the negative IPD factor.

Taxing Districts With a Population of Less Than 10,000

Q. How does the negative rate of inflation affect processes and levies made by taxing districts with a population of less than 10,000?

- A. These smaller districts are not impacted by the negative rate of inflation. These districts continue to have a limit factor of 101 percent and must continue to adopt an ordinance or resolution if they intend to increase their levies. The ordinance or resolution must indicate the dollar and percentage increase, exclusive of increases due to new construction and certain other items, over the previous year's levy.

If a district does not adopt an ordinance or resolution authorizing an increase, the district's levy is limited to 100 percent of the prior year's levy plus additional amounts for new construction and certain other items. (RCW 84.55.120)

Taxing Districts With a Population of 10,000 or More

- Q. What limit factor will be used in the 2010 tax year levy calculations to levy the maximum levy allowed by law (chapter 84.55 RCW)?**

- A. That depends on which ordinances or resolutions the taxing district adopts concerning property tax levies:
- If no ordinances or resolutions are adopted by the district, the limit factor is 99.152%.
 - If one ordinance or resolution is adopted, the limit factor is 99.152%.
 - If the district adopts a second resolution finding a substantial need, the limit factor specified in the ordinance or resolution will be used. (RCW 84.55.0101) The limit factor can be greater than 99.152%, but cannot exceed 101%.

- Q. Is a taxing district required to adopt an ordinance or resolution to increase its prior year's levy amount?**

- A. Yes. The negative rate of inflation did not change this requirement.

- Q. What percentage of the taxing district's governing board must sign the resolutions or ordinances increasing the levy amount or establishing a limit factor?**

- A. A simple majority is required to increase the levy from the prior year.

Number of Board Members	Signatures Required
3	2
4	3
5	3
6	4
7	4
8	5
9	5

Approval of the levy limit increase in the substantial need resolution or ordinance requires two-thirds of the members of a governing board of four members or less, and a majority plus one in governing boards made up of more than four members. For example:

Number of Board Members	Signatures Required
3	2
4	3
5	4
6	5
7	5
8	6
9	6

Q. What information is required to be included in the resolution or ordinance increasing the district’s levy?

- A. The ordinance or resolution must state both the dollar increase and percentage increase of the current budget request compared to the prior year’s actual levy, exclusive of increases due to new construction and certain other items. The percentage increase in the document may be greater than 1% if the district is levying previously unused levy capacity (banked capacity). A resolution may look something like this example:

WHEREAS, the Board of Commissioners of _____ Taxing District has met and considered its budget for the calendar year 2010; and,
 WHEREAS, the district’s actual levy amount from the previous year was \$100,000 and,
 WHEREAS, the population of this district is more than 10,000; now, therefore,
 BE IT RESOLVED by the governing body of the taxing district that an increase in the regular property tax levy is hereby authorized for the levy to be collected in the 2010 tax year. The dollar amount of the increase over the actual levy amount from previous year shall be **\$1,000** which is a percentage increase of **1%** from the previous year. This increase is exclusive of additional revenue resulting from new construction, improvements to property, newly constructed wind turbines, any increase in the value of state assessed property, any annexations that have occurred, and refunds made.

Q. What information is required to be included in the substantial need resolution or ordinance increasing the district’s limit factor?

- A. The resolution or ordinance must include the reason for the substantial need and the limit factor (not to exceed one hundred one percent). For example:

WHEREAS, the Board of Commissioners of _____ Taxing District has determined that, due to general maintenance and operation expenses, the Board of Commissioners finds that there is a substantial need to set the levy limit at one hundred one percent.