

August 22, 2017

Legislative Update for Assessors and Treasurers – State School Levy, Enrichment Levies, and State Local Effort Assistance

The 2017 Legislature passed [Engrossed House Bill 2242 \(EHB 2242\)](#). Among other things, the bill modifies the state school levy, replaces school district maintenance and operation (M&O) levies with enrichment levies, replaces vehicle transportation levies with vehicle transportation enrichment levies, and creates a new maximum levy rate limit for enrichment levies. This notice is limited to a discussion of the effect the bill has on property taxes and property tax levies.

Law before EHB 2242

Under current law ([RCW 84.52.065](#)), the state can levy a regular property tax for the support of common schools with a maximum levy rate of \$3.60 per thousand dollars of assessed value as adjusted by each county's assessment ratio. This levy is subject to the one percent growth limit and the Constitutional one percent levy limit.

With voter approval, local school districts are authorized to levy additional property taxes in excess of the Constitutional one percent levy limit. As an example, these levies can include a two to four year M&O levy and a two to six year transportation vehicle levy ([RCW 84.52.053](#)).

The state also provides local effort assistance funding to school districts that are at a disadvantage in raising M&O levies due to lower taxable values in those districts.

What property tax changes does EHB 2242 make?

State School Levy

For taxes collected in 2018 through 2021, an additional levy rate for the state school levy (Part 2) will be added to the existing state school levy rate (Part 1), for a total aggregate levy rate of \$2.70 per thousand dollars of assessed value. This rate will be adjusted for each county based on equalized true and fair market value and other factors. The original state school levy (Part 1) is subject to the one percent growth limit for the 2018 collection year, but will not be subject to this limitation for the 2019 through 2021 collection years. The state school levy (Part 2) is not subject to the one percent growth limit for collection years 2018 through 2021. However, both Part 1 and Part 2 are subject to the Constitutional one percent levy limitation for collection years 2018 through 2021.

For collection years 2022 and thereafter, both Part 1 and Part 2 of the state school levy are subject to the one percent growth limit and the Constitutional one percent levy limitation, with an aggregate rate limit of \$3.60 per thousand dollars assessed value.

Property Tax Special Notice

2017 Legislative Update – Additional State School Levy, Enrichment Levies, and State Local Effort Assistance

The levy rates for both Part 1 and Part 2 of the state school levy are subject to adjustments due to the following:

- The difference in taxable values reported to the Department of Revenue (Department) after October 1 of the preceding year and the actual taxable value used to apportion taxes by the individual county assessors
- Unpaid taxes from each county from the fifth preceding year
- Court ordered refunds
- The ratio of taxable assessed value in relation to true and fair market assessed value in each county as determined by the Department

Senior citizens and disabled persons receiving a property tax exemption under [RCW 84.36.381](#) are fully exempt from Part 2 of the state school levy.

County assessors will be required to track separate tax bases for Part 1 and Part 2 of the state school levy and report those separate aggregate taxable value amounts to the Department. The Department will determine the amount of tax to be levied for Part 1 and Part 2 of the state school levy.

For example, if the state school district consisted of two tax parcels:

- Parcel A, taxable value \$1,000,000
- Parcel B, qualifies for a senior citizen property tax exemption
 - True and fair market value \$200,000
 - Taxpayer's income - \$32,000
 - Frozen value - \$150,000
 - Taxable value for Part 1 of the state school levy is \$97,500. This represents 65% of frozen value since 35% is exempt for all regular levies under the exemption program.
 - Taxable value for Part 2 of the state school levy is \$0.
- District's taxable value for Part 1 of the state school levy is \$1,097,500.
- District's taxable value for Part 2 of the state school levy is \$1,000,000.

Local School District Levies

Beginning with the 2019 collection year, the new legislation replaces M&O levies with enrichment levies and, beginning with the 2020 collection year, transportation vehicle levies are replaced with transportation vehicle enrichment levies. The school district's expenditure plans for these levies must be approved by the Office of the Superintendent of Public Instruction (OSPI) before the ballot measures are proposed to the voters. ([RCW 84.52.053](#))

Enrichment levy rates are limited to the lesser of \$1.50 per thousand dollars assessed value or \$2,500 per student.

Beginning with taxes levied for collection in 2020, enrichment levy and transportation vehicle enrichment levy revenues must be deposited into a separate sub-fund of the school district's general fund.

State Local Effort Assistance

The state is continuing to provide local effort assistance supplementing school district enrichment levies. This assistance is in proportion to a school district's actual levy compared to the maximum levy, up to a combined total of \$1,500 per student, as of the 2019 calendar year. OSPI determines eligibility for local effort assistance.

Questions and Answers

Q: How will these changes affect property tax for fully exempt properties?

A: There will be no change. Properties that are already fully exempt from property tax, like properties owned and/or used by nonprofit organizations exempt under RCW 84.36, will continue to be exempt.

Q: How will these changes affect property tax for senior citizens and disabled person who are eligible for an exemption under RCW 84.36.381?

A: Taxpayers participating in the *Property Tax Exemption Program for Senior Citizens and Disabled Persons* will be exempt from all taxes levied on Part 2 of the state school levy. There is no change to the value taxable under Part 1 of the state school levy.

Q: How will these changes affect property tax for farm machinery and equipment exempt under RCW 84.36.630?

A: Farm machinery and equipment exempt from the state school levy before EHB 2242 will also be exempt from all taxes levied by the state school levy after EHB 2242.

Q: How will these changes affect property tax for most other taxpayers including owners of residential, commercial, and state-assessed properties?

A: In the 2018 collection year, most taxpayers will see an increase in property tax due to the new Part 2 of the state school levy.

In the 2019 through 2021 collection years the state school statewide levy rates will remain the same as the rates were for the 2018 collection year, with adjustments that were authorized by law before the passage of ESB 2242. Since the state school levy amount is not subject to limited growth during these collection years, this will generally result in an increase or decrease in property tax depending on the change in taxable assessed value for each parcel. The change in voter approved enrichment levies during these collection years will also impact the amount of property taxes due.

In the 2022 collection year and thereafter, both parts of the state school levy are once again subject to the one percent growth limit. This growth limit places a limit on the total amount of taxes the state may levy. When market values increase at a rate greater than the one percent growth limit imposed on the state school levy, this will result in a lower levy rate that is applied to individual taxable values.

Q: Will Parts 1 and 2 of the state school levy rate be the same in all counties?

A: No. Both parts of the state school levy are still subject to the same individual county adjustments as always. For example, each county may have different adjustments that affect the state school levy amount determined by the Department such as corrections to court ordered refunds, prior year delinquent property taxes, and the ratio of taxable assessed value in relation to true and fair market assessed value in each county as determined by the Department.

Resources

Additional information will be available soon at:

Department of Revenue Website: <http://dor.wa.gov/FundingEd>

- Funding Education - Frequently Asked Questions
- Funding Education - Tax Topic

Property Tax Resource Center: <http://propertytax.dor.wa.gov/>

- EHB 2242 Webinar for Assessors and Treasurers

Levy questions?

Contact Diann Locke at (360) 534-1427 or diannl@dor.wa.gov.

Exemption questions?

Contact Peggy Davis at (360) 534-1410 or peggyd@dor.wa.gov.