



*"Working together to
fund Washington's future"*

Property Tax 101

Overview of Washington's Tax System

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Topics

- Property Tax Administration
- Framework of the Property Tax System
- Property Valuation
- Levy Rates and Limitations
- Equalization
- Advantages and Disadvantages

Property Tax Administration

- Taxing Districts
- County Assessor
- County Treasurer
- Department of Revenue



Department of Revenue Responsibilities

- Oversight and Guidance
- Central Assessment
- Program Administration



Department of Revenue Responsibilities

- Education and Accreditation
- State School Levy
- Advisory Appraisals
- Ratio Study



County Assessor

- Values real and personal property
- Calculates levy rates
- Creates assessment roll



Property Tax Administration

- **Budget Based System:** The amount of revenue determines the rate, and specific limitations apply.

$$\text{Revenue/Assessed Value} = \text{Rate}$$

- **Rate Based System:** The rate determines the amount of revenue.

$$\text{Assessed Value} \times \text{Rate} = \text{Revenue}$$

- The State School Levy is currently rate based from 2018 through 2021, when it returns to a budget based system.
- The State School Levy is currently the only rate based levy.

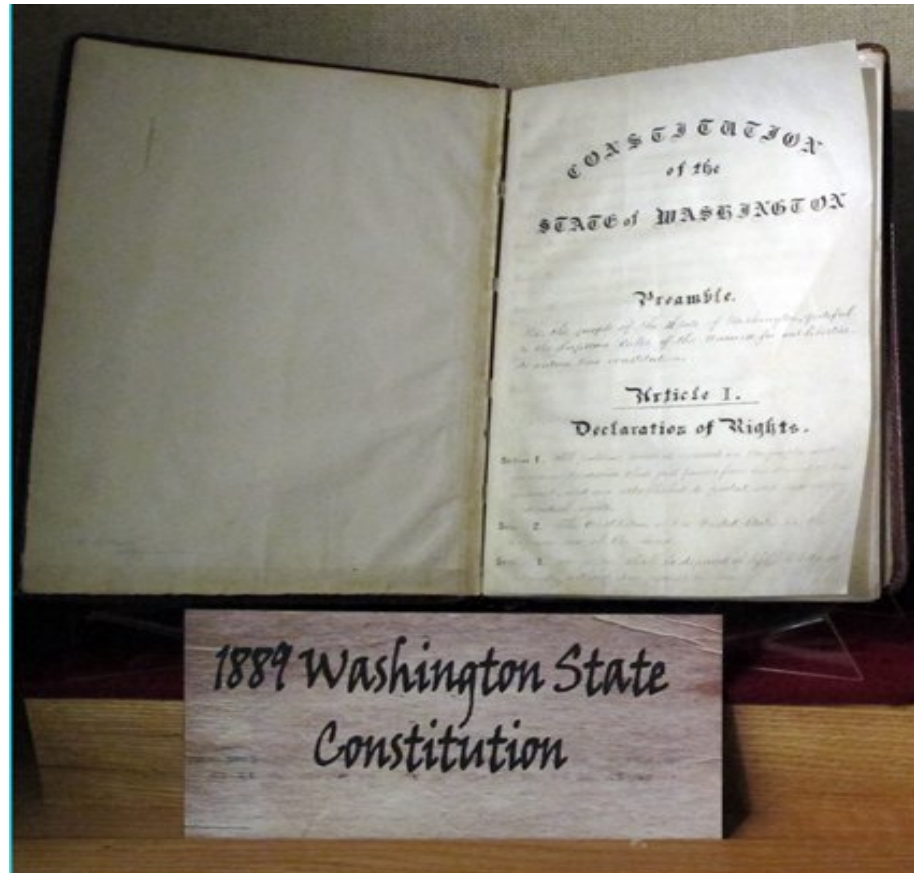
Taxing Districts

- State – schools
- Schools – local special
- Counties
- Road
- Cities
- Ports
- Fire
- Emergency medical (EMS)
- Library
- Hospital
- Parks
- Public utility
- Sewer
- Cemetery
- Flood
- Mosquito control
- Other

Total number of taxing districts in 2019: **1862**

State Constitution

Property Tax is established by Article VII, Section I of the State Constitution



Tax Base

RCW 84.36.005: What is subject to property tax?



Examples of Property Tax Exemptions

- Property owned by government
- Property owned in fee by Tribes and used for essential government purposes
- Intangible property
- Household goods and personal effects
- Business inventories
- Property of some non-profit organizations
- Agricultural crops and timber
- Vehicles – aircraft, watercraft, cars and trucks
- Property belonging to certain “*retired*” citizens

Determination of Value

- County Assessor values properties located within their county
- Department of Revenue values utility and transportation properties that cross county or state lines



Valuation Standard is “True and Fair Value,” or “Market Value”



Methods of Determining Value

- Market
- Income
- Cost



County Assessor Revaluation Requirements

Each county assessor establishes a program of revaluation:

- Physical inspection at least once each six years.
- All counties required to revalue property annually.



Tax Rate

- Tax Rates are the annual levy rates applied to the assessed value of taxable property by the various taxing districts.
- Levy rates are expressed in terms of dollars per \$1000 of value.
- Average tax rate for taxes due in 2019 was \$9.99 per \$1000 of assessed value or .999%.



Property Tax Limitations

- Statutory Maximum Rate
- Levy Limit (A.K.A. “The 101% Limit”)
- \$5.90 Aggregate Rate
- Constitutional 1% (A.K.A. “The \$10.00 Limit”)

The Statutory Maximum Rate Limit

- Maximum levy rates for each taxing district's regular levy are provided in state law.
- Districts can request additional funding above the statutory maximum rate limit through an "excess levy," which requires voter approval.



The Levy Limit (A.K.A. 101%)

- Taxing districts are limited to an annual increase in their tax revenue of 1% or inflation.
- Additional levy capacity results from new construction and increases in value resulting from higher state-assessed utility values.



101% Limit for Taxing District

- **Step 1**

- Highest lawful levy since 1985 **\$200,000**
- Increase by 1% x 1.01 **× 1.01**
- Authorized levy **\$202,000**

- **Step 2**

- Add: Value of New Construction
 x Last Year's Levy Rate **\$5,000**

- **Step 3**

- Add: Increase in value of state-assessed
 property **\$1,000**
- x Last year's levy rate
- Maximum allowable levy (101% levy limit) **\$208,000**

The 101% Limit: Calculation of Tax Rate

- Tax amount to be raised
 - ✓ **\$208,000**
- Divided by assessed value of district
 - ✓ **\$100,000,000**
- Equals tax rate for district
 - ✓ **\$2.08 per \$1000 assessed value**
- Rate on individual property is the sum of all the taxing districts

The \$5.90 Aggregate Limit

- The total amount of regular property tax levies cannot exceed \$5.90.
- When it exceeds \$5.90, the levies are prorated for some districts.
- Prorating occurs based on statutory priorities.

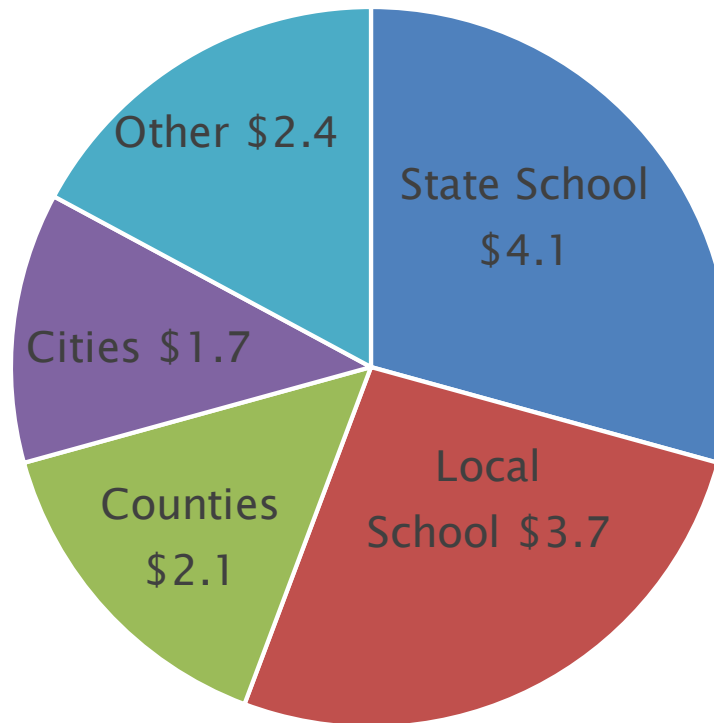


Constitutional 1% Limit (A.K.A. “\$10.00 Limit”)

The Constitution limits the total amount of property tax.



2020 Property Tax Due by District (Billions)



[Source: Property Tax Statistics 2020 Property Tax by Fund](#)

Ratio or Intercounty Equalization

- Standard of valuation is 100% of fair market value.
- We measure how close a county's assessed value is to the 100% standard each year.
- A “*ratio*” comparing assessed value to market value is developed by counties and the Department.



Equalization of State Levy

- Assume identical properties located in different counties
- Each has a market value of \$100,000
- The assessed for each is lower:

Smith - \$99,000 = 99% Ratio

Jones - \$80,000 = 80% Ratio

Equalization of State Levy

State School Levy Rate (example)

$$\$2.70 \text{ (per \$1,000 AV)} / .99 = \$2.73 \text{ (per \$1,000 AV)}$$

$$\$2.70 \text{ (per \$1,000 AV)} / .80 = \$3.38 \text{ (per \$1,000 AV)}$$

Equalized Rate

$$\text{Smith: } \$99,000 \times \$2.73 \text{ (per \$1,000 AV)} = \$2.70 \text{ Tax}$$

$$\text{Jones: } \$80,000 \times \$3.38 \text{ (per \$1,000 AV)} = \$2.70 \text{ Tax}$$

Now the taxpayers are paying the same.

Property Tax Timeline

- January 1, 2020 – Existing real and personal property valued for taxes due in 2021
- July 2020 – New construction is valued for taxes due in 2021
- November 2020 – Amount of taxes to be levied by district
- December 2020 – Levy rates are calculated
- January 2021 – Assessor delivers tax roll to Treasurer
- February 2021 – Treasurer mails tax bill
- April 30, 2021 - First half taxes due
- October 31, 2021 – Second half taxes due

Property Tax Advantages

- Funds popular services.
- Assessment/collection procedures are well-established.
- Certainty.
- Sense of local control and accountability.
- Correlation between property value and the cost of some local services.
- The tax is very visible.
- Exemptions address unique situations (senior citizens, current use).

Property Tax Disadvantages

- Very complex.
- Assessed values may have no relationship with income.
- The tax is influenced by the market with no control by owners.
- Unpopular tax.
- Costly and labor intensive to administer.
- Lag time between assessment year and tax year.

Property Tax Disadvantages

- Can be significant differences in value of tax base among districts.
- Budget based system – exemptions result in a shift of tax burden to others.
- Annual process – changes such as refunds can result in significant impacts to district budgets.

Questions?

