

The Mysterious Property Tax Limitations



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Property Tax Limitations

Regular levies are subject to various limitations:

1. Budget Request of District
2. Statutory Maximum Dollar Rate Limit
3. Levy Limit (aka 101 percent limit or highest lawful limit)
4. Amount authorized by Resolution/Ordinance
5. \$5.90 Aggregate Limit
6. Constitutional 1 percent Limit

Taxing District Boundaries

- RCW 84.09.030
 - Boundaries established for property tax purposes by August 1st of the year the levy is made;
 - Exceptions – newly incorporated port districts, regional fire protection service authorities, and school districts receiving territory from a financially dissolved school district.
 - No property tax shall be made for any taxing district whose boundaries are not established as of the dates provided in this statute.



Types of Taxing Districts, Property Tax Levies & Benefit Assessments

- Taxing Districts:
 - Senior Taxing Districts – State School, County General, County Road, and Cities/Towns
 - Junior Taxing Districts – Fire, Hospital, Library, EMS, Park and Recreation, Cemetery, and many more
 - Benefit Assessment – Irrigation, Mosquito, Diking, & many more
- Levies:
 - Regular – Authorized by law
 - Excess – Authorized by the voters
 - Refund – Administrative or Adjudicated
- Benefit Assessments:
 - Special charges based on the benefit received

Budget or Levy Certification Documentation

- The budget or levy certification can be submitted to the county legislative authority in several formats:
 - Resolution/Ordinance
 - District's budget packet (Ad Valorem Tax)
 - DOR's Levy Certification form (REV 64 0100)
–<http://dor.wa.gov/docs/forms/proptx/forms/levycertf.doc>
- Be sure to include:
 - Taxing district's name
 - Amount of the regular levies
 - Amount of the excess levies
 - Amount of Refund levies
 - And any other information that may be beneficial

Budget or Levy Certification Documentation

- If the taxing district does not submit a budget or levy certification to the county legislative authority, the assessor **cannot** levy for the district that year!



Property Tax Limitations

- Budget Request Limit:

–RCW 84.52.010 requires levies to be made in specific amounts.



Certify Budget/Estimate to County Legislative Authority

- Certified budgets or estimates of property tax to be levied must be filed with the clerk of the county legislative authority on or before November 30.
- Exception – Cities with a population of 300,000 or more submit their requests directly to the assessor.
- Exception – Port Districts may file their budget with the county legislative authority on the first Monday in December.

Certification of Levies to the Assessor

- The county legislative authority certifies the amount of taxes to be levied for property tax to the assessor on or before November 30.
- If the levy amount is not certified to the assessor by November 30, the current year's levy can not exceed the amount the district received in the prior year. Provided, the assessor has certified the assessment roll at least 12 working days prior to November 30 to the taxing districts.

Property Tax Limitations

- **Statutory Maximum Levy Rate:**

–State	\$3.60
–County	\$1.80
–Road	\$2.25
–City	\$3.375*
–City (annexed Fire/Library)	\$3.60* (less Fire/RFA/Library rate)
–Fire	\$1.00/\$1.50
–Library	\$0.50
–Hospital	\$0.75
–Cemetery	\$0.1125

–*Plus additional \$0.225 Fireman's Pension Fund

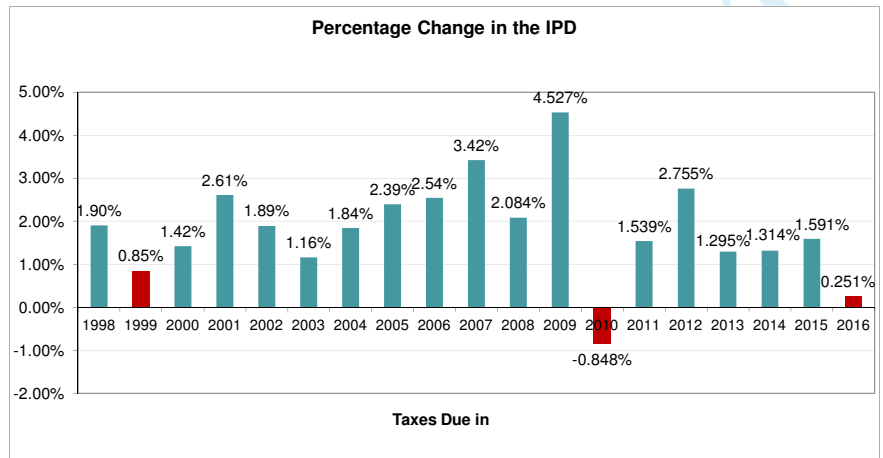
Property Tax Limitations

• **Levy Limit:**

– Limits growth in taxing district regular levies to 1 percent or the rate of inflation (based on size of the district). RCW 84.55.005

District Population	Implicit Price Deflator	Substantial Need Resolution	Limit Factor (Growth Limit)
< 10,000	N/A	N/A	101%
10,000 or >	> 1%	N/A	101%
10,000 or >	< 1%	No	100% + IPD
10,000 or >	< 1%	Yes	% Stated in Resolution cannot exceed 101%

History of Inflation





Resolutions Authorizing A Levy Increase

- Adopted by majority of the governing board.
- Must be a separate document.
- Must state the dollar increase compared to the prior year's levy amount.
- Must state the percentage of change compared to the prior year's levy amount.
- Forward this document directly to the county assessor.



Substantial Need Resolution

- When the IPD is less than 1 percent, and
- The taxing district's population is 10,000 or more, and
- The taxing districts wants to increase their levy limit by an amount more than 100 percent plus the IPD and no more than 101 percent.
- Resolution must state the reason for the substantial need.
- Resolution must be adopted by two-thirds of the board if the board consists of four members or less. If the board consists of more than four members, it must be approved by a majority of the board plus one additional vote.
- Forward this document directly to the county assessor.

How Do I Calculate the Increase Amounts for the Resolution?

Current Year's Property Tax Budget	\$244,458.60
Deduct Allowable Increases (NC/Utility increase, etc.)	\$16,542.90
Adjusted Current Year's Budget	\$227,915.70
Less Actual Levy From Prior Year	\$200,000.00
DOLLAR INCREASE	\$27,915.70
Adjusted Current Year's Budget	\$227,915.70
Divided by Prior Year's Actual Levy	\$200,000.00
PERCENTAGE CHANGE	13.95785%

Refund Levies

- Administrative Refunds – Chapter 84.69 RCW
 - Taxes actually refunded to taxpayers, plus
 - Taxes abated or cancelled offset by supplemental taxes collected
- Adjudicated Refunds – Chapter 84.68 RCW

The levy limit does not apply to the levy for taxes refunded or to be refunded pursuant to Chapters 84.68 and 84.69 RCW.

(RCW 84.55.070)

Highest Lawful Levy Calculation Example

- Taxing district – City of Revenue
 - Certified regular levy request \$245,000
 - Refund levy request \$10,000
 - Certified excess levy request \$50,000
 - Resolution authorized a 13.96% increase over the prior year’s levy, which is a \$27,915.70 increase

HIGHEST LAWFUL LEVY CALCULATION

TAXING DISTRICT	City of Revenue		2016	Levy for	2017	Taxes
A. Highest regular tax which could have been lawfully levied beginning with the 1985 levy (refund levy not included).						
Year	2016	\$234,570.00	*	101.000%	=	\$236,915.70
		Highest Lawful Levy		Maximum Increase 101%		
B. Current year's assessed value of new construction, improvements, and wind turbines, solar, biomass, and geothermal facilities in original districts before annexation occurred times last year's levy rate (if an error occurred or an error correction was made in the previous year, use the rate that would have been levied had no error occurred).						
	\$6,500,000	0.934700000000	+	\$1,000	=	\$6,075.55
	A.V.	Last Year's Levy Rate				
C. Current year's state assessed property value less last year's state assessed property value. The remainder is to be multiplied by last year's regular levy rate (or the rate that should have been levied).						
	\$9,500,000	-	\$9,000,000	=	\$	500,000.00
	Current Year's A.V.		Previous Year's A.V.		Remainder	
	\$500,000	*	0.934700000000	+	\$1,000	\$467.35
	Remainder from Line C		Last Year's Levy Rate			
D. Regular property tax limit:				A+B+C	=	\$243,458.60

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Parts E through G are used in calculating the additional levy limit due to annexation.

E. To find the rate to be used in F, take the levy limit as shown in Line D above and divide it by the current assessed value of the district, excluding the annexed area.

\$243,458.60 <small>Total in Line D</small>	÷	\$210,000,000 <small>Current Assessed Value</small>	×	\$1,000	=	1.15932666667
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F. Annexed area's current assessed value including new construction and improvements, times the rate in Line E.

 <small>Annexed Area's A.V.</small>	×	1.15932666667 <small>Rate in Line E</small>	÷	\$1,000	=	
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G. Regular property tax limit including annexation D+F = \$243,458.60

H. Statutory maximum rate times the assessed value of the district.

\$210,000,000 <small>A.V. of District</small>	×	3.37500000000 <small>Statutory Rate Limit</small>	÷	\$1,000	=	\$708,750.00 <small>Statutory Amount</small>
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I. **Highest Lawful Levy (Lesser of G and H)** = \$243,458.60

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J. **Tax Base For Regular Levy**

1. Total district taxable value (including state-assessed property, and excluding boats, timber assessed value, and the senior citizen exemption for the regular levy) \$210,000,000

K. **Tax Base for Excess and Voted Bond Levies**

2. Less assessed value of the senior citizen exemption of less than \$40,000 income difference between the lower of the frozen or market value and the exempt value) \$250,000

3. Plus Timber Assessed Value (TAV) \$50,000

4. Tax base for excess and voted bond levies (1-2+3) \$209,800,000

Excess Levy Rate Computation
Excess levy amount divided by the assessed value in Line K4 above.

\$50,000.00 <small>Levy Amount</small>	÷	\$209,800,000 <small>A.V. from Line K4 above</small>	×	\$1,000	=	0.238322211630
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Bond Levy Rate Computation
Bond levy amount divided by the assessed value in Line K4 above.

 <small>Levy Amount</small>	÷	\$209,800,000 <small>A.V. from Line K4 above</small>	×	\$1,000	=	
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ACTUAL LEVY CALCULATION

TAXING DISTRICT _____ City of Revenue _____ 2016 Levy For 2017 Taxes

Population: Less than 10,000 10,000 or more

Was a resolution/ordinance adopted authorizing an increase over the previous year's levy? Yes No

If so, what was the percentage increase? 13.96% Calculated % Increase 13.9578500000000%

Was a second resolution/ordinance adopted authorizing an increase over the IPD? Yes No N/A

If so, what was the percentage increase? _____

A. Previous year's actual levy times the increase as stated in ordinance or resolution (RCW 84.55.120). If the taxing district did not provide an ordinance or resolution use 100% in the field increasing the previous year's actual levy.

		+	27,915.70	=					\$227,915.70
			<small>Plus Resolution Increase Amount</small>						
Year 2016	\$200,000.00	×	113.9600000000000%	=					\$227,920.00
	<small>Previous Year's Actual Levy</small>		<small>100% Plus the Percentage Increase</small>						

B. Amount for new construction, improvements, and wind turbines, solar, biomass, and geothermal facilities.
(Line B, page 1) = \$6,075.55

C. Amount for increase in value of state-assessed property (Line C, page 1) = \$467.35

D. Regular property tax limit (based on the lesser of values in line A):A+B+C = \$234,458.60

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Parts E through G are used in calculating the additional levy amounts due to annexation.

E. To find the rate to be used in F, divide the levy amount as shown in D (page 1) by the current assessed value of the district, excluding the annexed area.

	\$243,458.60	÷	\$210,000,000	×	\$1,000	=			1.159326666667
	<small>Total in Line D on page 1</small>		<small>Assessed Value</small>						

F. Annexed area's current assessed value including new construction and improvements, multiplied by the rate in E.

		×	1.159326666667	÷	\$1,000	=			
	<small>Annexed Area's A.V.</small>		<small>Rate in Line E</small>						

G. Total levy amount authorized, including the annexation D+F = \$234,458.60

H. Total levy amount authorized by resolution (G) plus amount refunded or to be refunded (RCW 84.55.070).

	\$234,458.60	+	\$10,000.00	=					\$244,458.60
	<small>Total from Line G</small>		<small>Amount to be Refunded</small>						<small>Amount allowable per Resolution/Ordinance</small>

I. Total amount certified by county legislative authority or taxing district as applicable.
(RCW 84.52.020 and RCW 84.52.070) = \$245,000.00

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J. Levy limit from line G on page 1, plus amount refunded or to be refunded (RCW 84.55.070).			
\$243,458.60	+	\$10,000.00	= \$253,458.60
<small>Line G, Page 1</small>		<small>Amount to be Refunded</small>	<small>Total</small>
K. Amount of taxes recovered due to a settlement of highly valued disputed property (RCW 84.52.018).			
\$244,458.60	-		= \$244,458.60
<small>Lesser of H, I, or J</small>		<small>Amount Held in Abeyance</small>	<small>Total</small>
L. Statutory limit from line H on page 1 (dollar amount, not the rate)			= \$708,750.00
M. Lesser of K and L			\$244,458.60
N. Levy Corrections Year of Error: _____			
1. Minus amount over levied (if applicable)			
2. Plus amount under levied (if applicable)			
O. Total: M +/- N			\$244,458.60
Regular Levy Rate Computation: Lesser of L and O divided by the assessed value in line J1 on page 1.			
\$244,458.60	+	\$210,000,000	= 1.164088571429
<small>Lesser of L and O</small>		<small>Amount on line J1 on page 1</small>	

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Aggregate Property Tax Limitations

- \$5.90 aggregate levy limitation
- Constitutional 1% levy limitation
 - RCW 84.55.010 lists levies subject to these limitations and prioritizes their level of protection for prorationing and or elimination

Voted Levy Publication

- Ballot Measure Requirements for Voted Property Tax Levies
 - Part 1 – Voted regular levies, the levy limit, levy lid lifts, and general obligation bonds for port districts
 - Ballot Measure contents for voted regular levies
 - The Levy Limit
 - Lid Lifts
 - General obligation bonds for port districts

Voted Levy Publication

- Part 2 – Excess levies and general obligation bonds
- Part 3 – Seeking voter approval:
 - Writing concise descriptions for ballot measures
 - Timing
 - Election Dates
- Part 4 – List of voter approved levies by taxing district type
- Part 5 – References

<http://dor.wa.gov/content/GetAFormOrPublication/PublicationBySubject/PropertyTax/BallotMeasures/>

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Levy Lid Lifts

Lid Lifts (RCW 84.55.050)	Single Year Lid Lift	Multi-Year Lid Lift
How many years can the limit factor be exceeded?	One	Six
What type of voter approval is required?	Majority	Majority
Does the ballot measure need to list the levy rate for the lid lift?	Yes	Yes, but only for the first year of the increase
Does the ballot measure need to list the limit factor(s) used during the lid lift?	No, only the levy rate for the first year	Yes, either the limit factor or specified index to be used.
What types of elections can lid lifts be included in?	General or Special	General or Primary
Does the increased levy capacity continue after the lid lift has expired?	All lid lift increases are temporary unless the ballot title states otherwise	All lid lift increases are temporary unless the ballot title states otherwise
Does the ballot title need to state any limitations of the lid lift?	Optional – Specify years or purpose	Must state limited purpose
Can a lid lift exceed the taxing districts statutory maximum rate?	No	No

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Excess Levies

- Excess levies are imposed over and above regular property tax levies.
- All excess levies are approved by the voters – but not all voter approved levies are excess levies:
 - Fire District M&O Levy – Excess Levy
 - Park and Recreation District Levy – Regular Levy
 - Emergency Medical Service Levy (EMS) – Regular Levy
- The duration of an excess is 1 year, with the following exceptions:
 - School and Fire District M&O – 2 - 4 years
 - School and Fire District Construction – 2 - 6 years
 - School Transportation – 2 years
 - School Capital Project/Technology – 2 - 6 years



Property Tax Levies

- Additional information concerning property tax levy calculations can be found in the Department's Levy Manual.
- http://dor.wa.gov/docs/pubs/prop_tax/levymanual.doc



Levy Questions????

- Specific questions regarding your taxing district should be directed to your local assessor's office.
- General property tax questions:

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