

Property Valuation Increases

Senate Ways & Means Committee
September 25, 2006



Values are growing faster than taxes. How is this possible?

- Assessed value of all properties grew by 11.3%
- Taxes on existing properties rose 2.5% in 2005 (5.1% overall)

The 101% limitation controls tax collections.

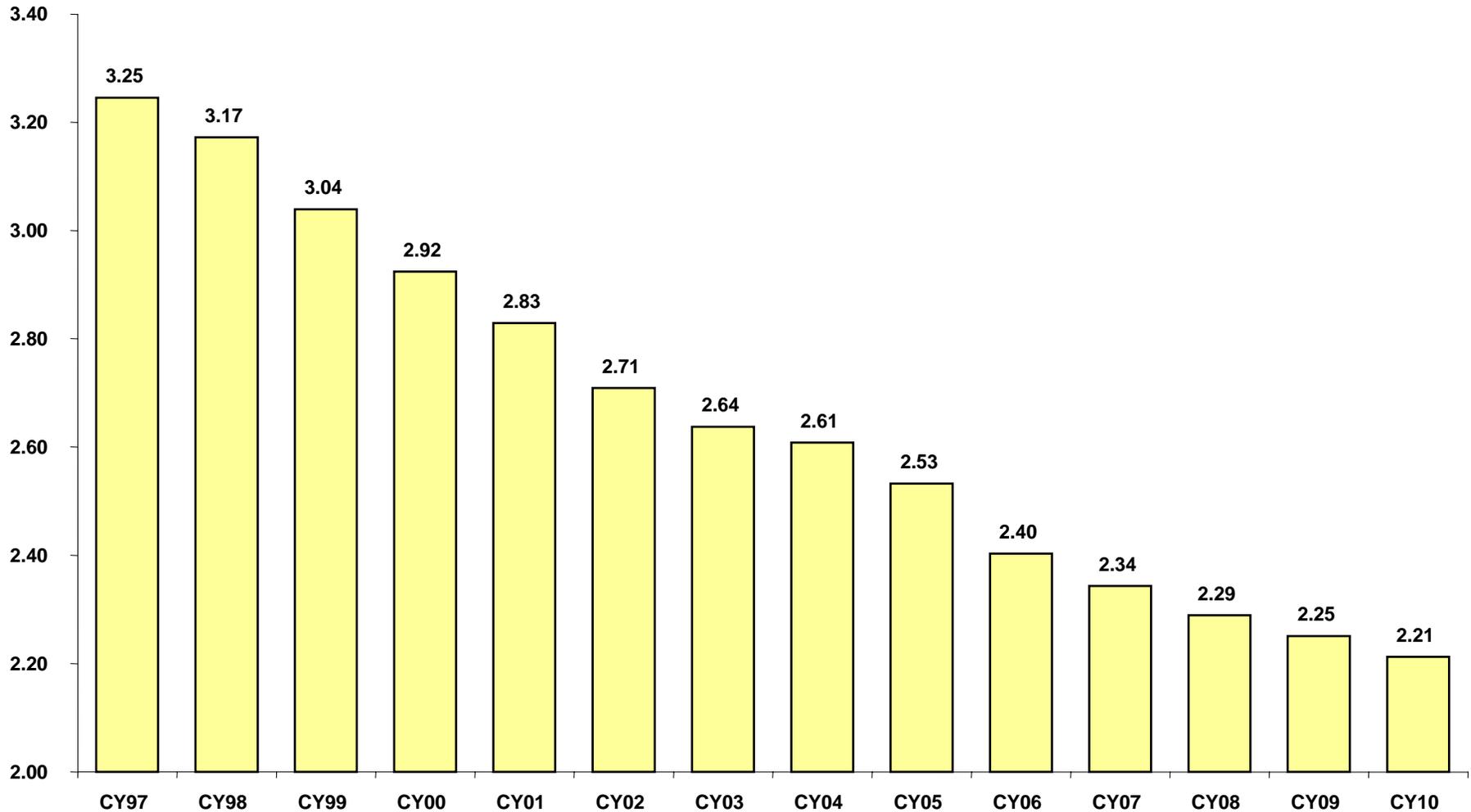
- There is a limit in the growth in the amount of money a taxing district can collect each year.
- The limit is on the taxes collected, not the growth in property values.
- This limit has been adjusted throughout the years and is currently the subject of litigation.

How does the 1% limit work?

	<u>Value</u>	<u>Levy</u>	<u>Rate</u> <u>(per \$000)</u>
This Year	\$5,000,000,000	\$1,000,000	\$0.20
	105%	101%	
Next Year	\$5,250,000,000	\$1,010,000	\$0.19

This limit tends to drive down rates.

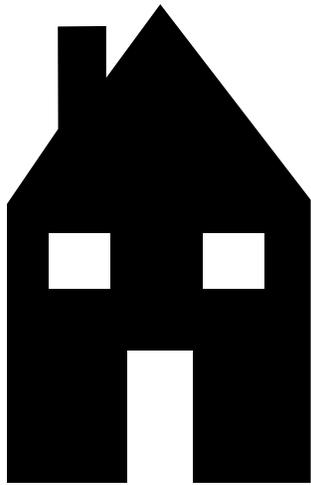
For example, the state school levy:



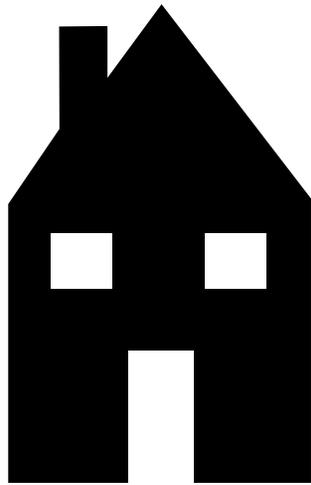
Example—

For houses valued at \$100,000...

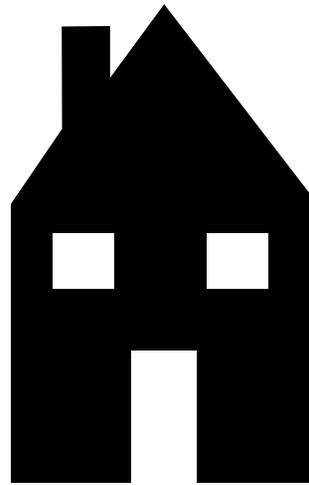
Taxes paid = \$2,500 per residence.



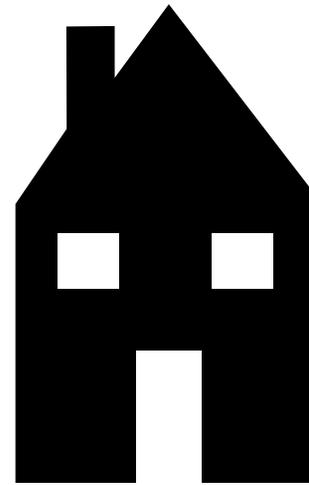
\$100,000



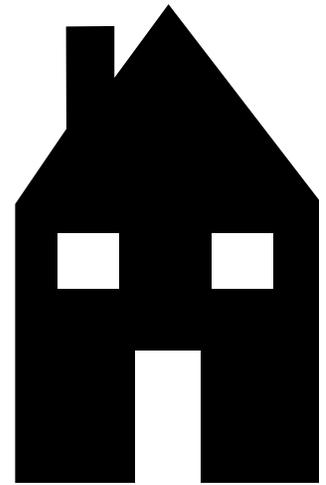
\$100,000



\$100,000



\$100,000



\$100,000

Example— When values grow by 3%...

Taxes paid increase by 1%.



\$103,000

\$103,000

\$103,000

\$103,000

\$103,000

Example— When values grow by 10%...

Taxes paid increase by 1%.



\$110,000 **\$110,000** **\$110,000** **\$110,000** **\$110,000**

Example—

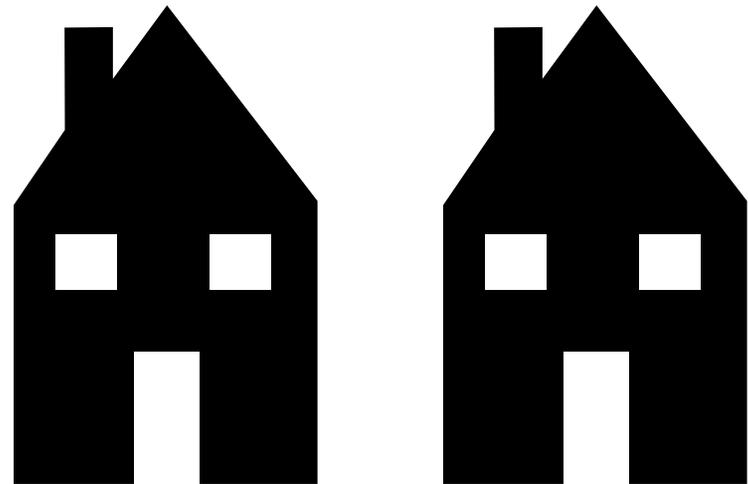
When values grow at different rates, overall taxes still grow by 1%. But...

Taxes paid decrease by
1.7%.



\$103,000 \$103,000 \$103,000

Taxes paid increase by
5%.



\$110,000 \$110,000

Taxes are shifted among taxpayers.

- The examples show how taxes are shifted from SLOW growing properties and onto FAST growing properties.
- This occurs within districts, within counties and across the state.



What about a value growth limit?

The Uniformity Clause requires taxes to be the same for all properties of equal value.

Article 7, section 1 of the Washington State constitution states:

“All taxes shall be uniform upon the same class of property within the territorial limits of the authority levying the tax...”

A constitutional amendment could impose limitations on value growth.

Value growth limits could be set at any amount by constitutional amendment. For example, growth could be limited to 1%, 5%, 10% per year.

However, the stricter the limit, the more that taxes are shifted to others through higher rates.

NOTE: In 1997, Referendum 47 limited the growth of property values by averaging large increases over time. This measure was approved by the voters but was determined unconstitutional by the Supreme Court.



Whenever property values are changed, shifts and/or losses occur.

All savings from value limitations (or exemptions) are “paid for” either by shifting the taxes to other tax payers or by local taxing districts receiving less money.