

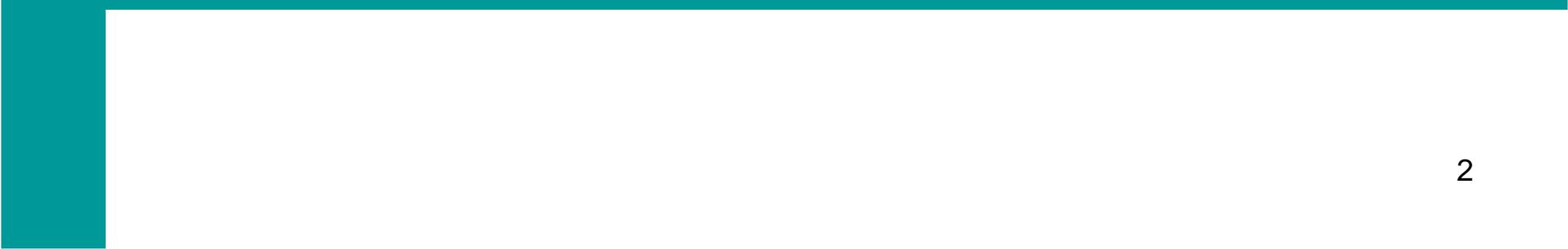
# Property Tax Background

**Senate Ways & Means Committee**  
**February 15, 2007**





# Property Value Growth and Tax Increases



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

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

# Budget-based system

1. Taxing jurisdictions calculate levy
2. Property within the district is assessed
3. Levy rate calculated based on levy and assessed value
4. The levy rate is applied to individual assessed values

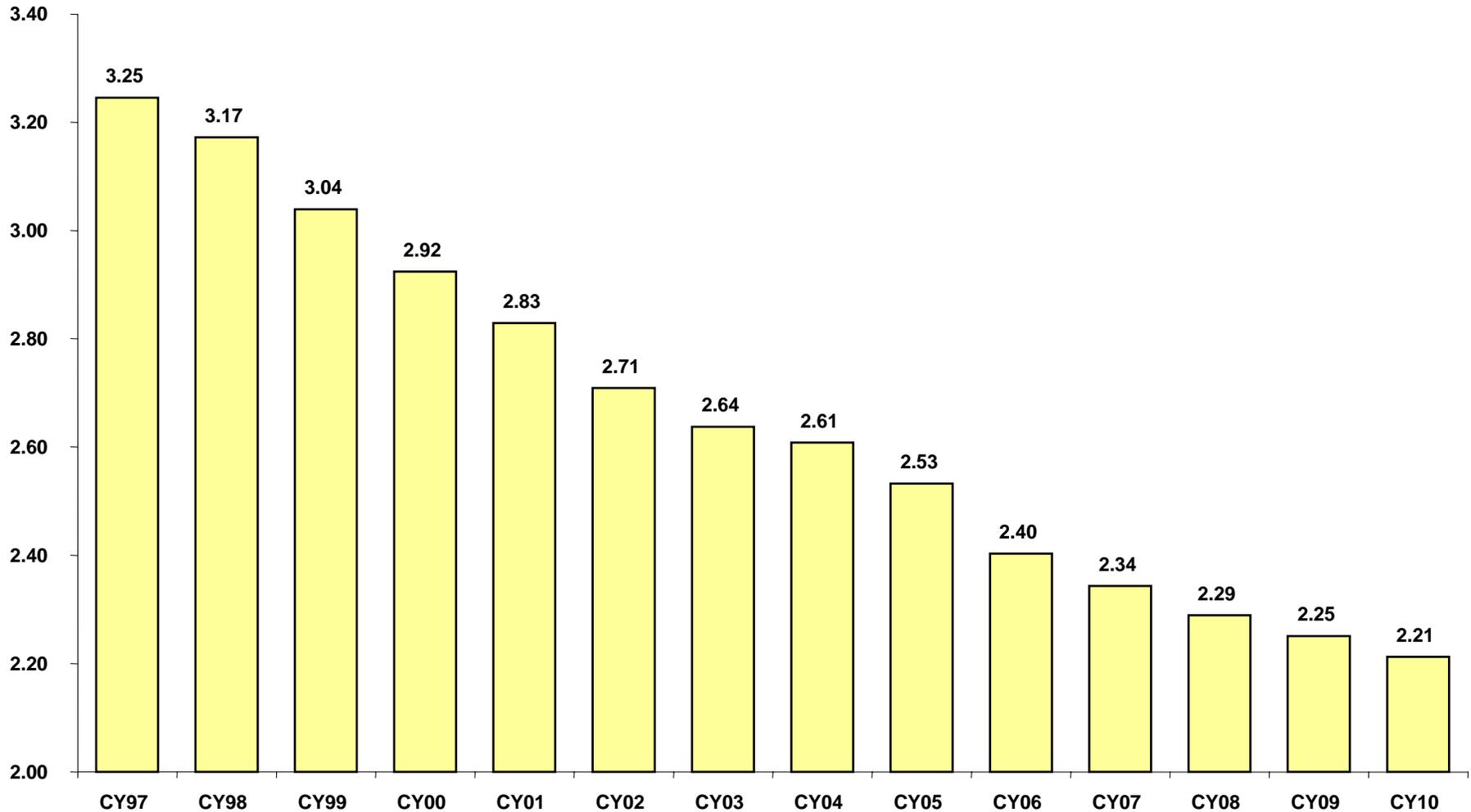
# 1% levy limit controls tax collections

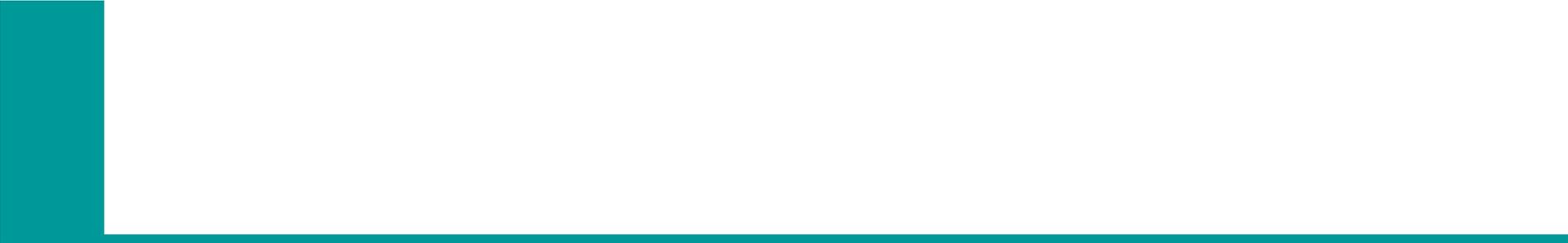
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- There is a limit in the growth in the amount of money a taxing district can collect each year.
- The limit is on the taxes collected, not the growth in property values.
- This limit has been adjusted throughout the years and is currently the subject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

# This limit tends to drive down rates.

For example, the state school levy:





# Shifts and Losses





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

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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.

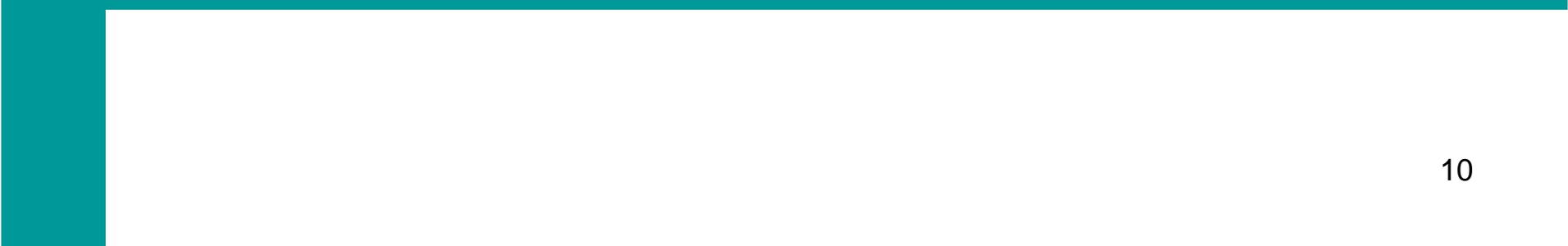
# Taxes are shifted among taxpayers.

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- Taxes are shifted from SLOW growing properties and onto FAST growing properties.
- This occurs within districts, within counties and across the state.



# Constitutional Questions



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

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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.



# Exceptions: Constitutional Value Limits

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- Senior Property Tax Relief Programs

Article VII, section 10

- Current Use Programs

Article VII, section 11

# Senior Property Tax Relief Programs for Principal Residences

	<b>Eligibility: Age or Other</b>	<b>Income Requirement</b>	<b>Relief</b>
<b>Excess Levy Exemption</b>  (voter approved levies, like fire protection districts and special school levies)	<ul style="list-style-type: none"> <li>• Age: at least 61</li> <li>• Retired due to disability</li> <li>• A veteran with 100% service connected disability</li> </ul>	\$35,000 or less	Exempt from excess property tax levies
<b>Regular Levy Exemption</b>  (the state levy and other local levies that are subject to the constitutional \$10/\$1000 AV limit)	<ul style="list-style-type: none"> <li>• Age: at least 61</li> <li>• Retired due to disability</li> <li>• A veteran with 100% service connected disability</li> </ul>	<ul style="list-style-type: none"> <li>• \$25,001 to \$30,000</li> <li>• \$25,000 or less</li> </ul>	<u>\$25,001 to \$30,000:</u> \$50,000 or 35% of value exempt (\$70,000 max)  <u>\$25,000 or less:</u> \$60,000 or 60% exempt
<b>Deferral</b>	<ul style="list-style-type: none"> <li>• Age: at least 60</li> <li>• Retired due to disability</li> <li>• A veteran with 100% service connected disability</li> </ul>	• \$40,000 or less	Property taxes, up to 80% of the equity, may be deferred.  Annual interest rate is 5%.
<b>Valuation Freeze</b>	<ul style="list-style-type: none"> <li>• Age: at least 61</li> <li>• Retired due to disability</li> <li>• A veteran with 100% service connected disability</li> </ul>	• \$35,000 or less	Property values are frozen as of January 1, 1995 or January 1 of the year the applicant first qualifies.



# Tax Reform Ideas

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- Value growth limits
- Homestead Exemptions
- Levy growth limits
- Tax reductions
- Senior citizen/veterans program