

PROPERTY TAX ROAD LEVY SHIFTS

Washington law allows county governments to collect two separate property tax levies. These are levies for the Current Expense Fund and the Road Fund. The Current Expense Fund is limited to collecting no more than \$1.80 per \$1,000 of assessed value for the general operating budget of county government. The County Road Fund is limited to collecting no more than \$2.25 per \$1,000 of assessed value to be used for “proper county road purposes.” (See RCW [36.82.020](#).) At the option of the county legislative authority, some of the levy capacity of the County Road Fund may be shifted to increase the Current Expense Fund. RCW [84.52.043](#) allows the shift between these two funds to take place if after the shift the Current Expense Fund does not exceed \$2.475 per \$1,000 of assessed value (the corresponding Road Fund Levy would be \$1.575) with the combined County Current Expense and County Road Fund levy rates not exceeding \$4.05 per \$1,000 of assessed value. Also, no other taxing district can be harmed, i.e., lose levying capacity, because of the shift. This shift enables the general operating budget of a county to receive additional operating revenues without increasing the total amount of property tax the county is entitled to receive. Funds are just shifted from the Road Fund to the Current Expense Fund. Both funds are restricted by the six property tax limitations: (1) the budget approved by the taxing district’s governing authority; (2) the amount authorized by the resolution/ordinance; (3) the levy limit; (4) the statutory rate limitation; (5) the aggregate rate limitation (the \$5.90 limitation); and (6) the constitutional 1 percent limitation.

The Road Fund Shift works like this:

The county legislative authority determines a need to shift levying capacity from the County Road Fund to the County Current Expense Fund. Budgets are then approved for both taxing districts that reflect the shift in levy amounts.

The assessor’s office makes the levy limit calculation for each fund before the shift takes place. This ensures that neither district becomes entitled to more funds (after the Road Levy Shift) under the levy limit than they would be allowed if the shift did not occur. Then the funds that originally would have gone to the County Road Fund are shifted to the Current Expense Fund (in the amount approved by the county legislative authority.) Regardless of the amount shifted, the total amount levied for both funds cannot exceed the combined total of the two districts as calculated under the levy limit.

The new Current Expense Fund amount is then divided by the assessed value of all taxable property in the county to determine the Current Expense Fund levy rate. If this is more than \$2.475 per \$1,000 of assessed value, the Current Expense Fund is reduced until \$2.475 is reached. Then the County Road Fund is divided by the assessed value of all taxable property in the County Road Fund District to determine the Road Fund’s levy rate. If the combined levy rate for both districts is at or below \$4.05, the shift progresses to the next limitation check. If not, the Current Expense Fund is reduced until the combined levy rate is \$4.05 or less.

The next limit is the aggregate rate limit. The appropriate levy rates are combined to determine if the total or aggregate exceeds \$5.90. When performing a Road Levy Shift, this limitation would adversely affect only districts that are within the boundaries of an incorporated city. If the combined aggregate levy rate is above \$5.90, the Road Fund Shift cannot take place until the Current Expense Fund is reduced so that the total is \$5.90 or less or another district's levy is bought down. However, if the aggregate rate is at or below \$5.90, the shift progresses to the final limitation check.

The final limit is the constitutional 1 percent limitation. If the total of the applicable levy rates is within the 1 percent limitation calculation, the road levy shift can take place and the County Current Expense Fund can receive the shifted funds allowed under the law. If the calculation exceeds the 1 percent limitation, the shift cannot take place until the Current Expense Fund is reduced so that the combined levy rates are within the 1 percent limitation or another district's levy rate is bought down.

For each year, the original levy amounts (that is, the amount before the Road Levy Shift takes place) are calculated for both the Current Expense Fund and the Road Levy Fund and used for the levy limit calculation. The original levy amounts of each district are tracked and recorded so that before each shift takes place, and when the Road Levy Shift ends, the basis for each district's original levy amount is available.

Examples

Current Expense:

Step 1	Multiply:	Highest allowable levy since 1985	\$ 1,292,080
		x 1.01 to increase by 1%	<u> x 1.01</u>
	Product		\$ 1,305,000
Step 2	Add:	New construction, improvements, newly constructed wind turbines x last year's levy rate (\$50,000,000 x \$1.75 ÷ \$1,000 AV)	87,500
Step 3	Add:	Increase in State Assessed Property x last year's levy rate (\$50,000,000 x \$1.75 ÷ \$1,000 AV)	<u>87,500</u>
Total allowable under the levy limitation			\$ 1,480,000

$$\mathbf{\$1,480,000 \div \$930,800 (AV) = \$1.59 \text{ per } \$1,000 \text{ of AV}}$$

Road District:

Step 1	Multiply:	Highest allowable levy since 1985	\$ 1,663,366
		x 1.01 to increase by 1%	<u> x 1.01</u>
	Product		\$ 1,680,000

Step 2	Add:	New construction, improvements, newly constructed wind turbines x last year's levy rate (\$40,000,000 x \$2.15 ÷ \$1,000 AV)	86,000
Step 3	Add:	Increase in state-assessed property x last year's levy rate (\$40,000,000 x \$2.15 ÷ \$1,000 AV)	<u>86,000</u>
Total allowable under the levy limitation			\$ 1,852,000

$$\mathbf{\$1,852,000 \div \$867,500,000 (AV) = \$2.13 \text{ per } \$1,000 \text{ of AV}}$$

NOTE: It is assumed in the above example that the appropriate resolutions have been passed to allow a 1 percent increase in the levy limit calculation of each district.

The County Legislative Authority decides to shift \$250,000 from the Road Fund to the Current Expense Fund.

Road Fund	$\$1,852,000 - \$250,000 = \$1,602,000$
Current Expense Fund	$\$1,480,000 + \$250,000 = \$1,730,000$

<u>COUNTY LEVY</u>	Before Road Levy Shift	After Road Levy Shift
Road Fund	\$1,852,000	\$1,602,000
<u>Current Expense Fund</u>	<u>\$1,480,000</u>	<u>\$1,730,000</u>
Combined Levy Limit	\$3,332,000	\$3,332,000

The combined levy limitation has not been exceeded.

The levy rates after the shift are:

Road Fund	$\$1,602,000 \div \$867,500,000 (AV) = \$1.85 \text{ per } \$1,000 \text{ of AV}$
Current Expense Fund	$\$1,730,000 \div \$930,800,000 (AV) = \$1.86 \text{ per } \$1,000 \text{ of AV}$

<u>COUNTY LEVY RATES</u>	Before Road Levy Shift	After Road Levy Shift
Road Fund	2.13	1.85
<u>Current Expense Fund</u>	<u>1.59</u>	<u>1.86</u>
Total	3.72	3.71

<u>TOTAL LEVY RATES</u>	Before Road Levy Shift	After Road Levy Shift
Current Expense	\$1.59	\$1.86
City	3.10	3.10
Hospital	.48	.48
<u>Library</u>	<u>.46</u>	<u>.46</u>
Total	\$5.63	\$5.90

If the total levy exceeds the \$5.90 limit, the road levy shift must be reduced or eliminated, or another district's levy must be bought down. A road levy shift cannot cause prorating.

If, for instance, the Current Expense Levy Rate in the above example was \$1.90, the Road Levy Shift would have to be eliminated or the Current Expense Levy reduced to 1.86 so the \$5.90 limit on regular levies would not be exceeded.

However, RCW [39.67.010](#) and [39.67.020](#) allow taxing districts to contract with one another to “buy down” the levy rate. In other words, the county could enter into a contract with a city to reduce its levy rate by \$.04, thereby allowing its full Road Levy Shift. The county would then pay the city an amount equal to the reduction of the city’s levy multiplied by the city’s assessed value.

To follow through with our example:

		County Value	\$930,800,000
		City Value	\$102,000,000
County	\$1.90		
City	3.06	County pays the city \$.04 times \$102,000,000 AV	
Hospital	.48	or \$4,080 to levy the \$.04 countywide	
<u>Library</u>	<u>.46</u>	$\$930,800,000 \times \$.04 = \$37,292$ less \$4,080 paid	
Total	\$5.90	to the city, nets the county \$33,152.	

Road Levy Shifts are decided on an annual basis. Continuing with our example, in the following year, the levy limit is calculated for both the County Current Expense Fund and the County Road Fund using the highest lawful levy for each district as though the Road Levy Shift had not occurred. In other words, the original levy amounts (prior to the shift) are used in determining the highest lawful levy for the district.

Amounts are added for new construction, improvements to property, newly constructed wind turbines, and increases in state-assessed value. The amount to be added is calculated using the actual rate from the previous year. There is no provision to use a rate other than the actual rate, so the rate calculated after the shift is applied to the assessed value of new construction and improvements to property, newly constructed wind turbines, and the increase in value of state-assessed property.