

Property tax -- increase state levy to \$3.60 limit

Description This proposal would raise the state levy rate back to \$3.60 per \$1,000 of market value, before equalization.

Current Law Property taxes consist of annual state and local levy rates applied to the assessed value of taxable property.

Maximum state levy; equalization.

- The maximum state property tax levy rate is set by statute at \$3.60 per \$1,000 of fair market value.
- Assessed values for all property in a county rarely reach 100% of fair market value.
- Thus, the actual state levy rate for each county must be equalized -- adjusted by the relationship between the county's total assessed value of all property and its estimated market value.

Statewide average levy rate.

- For taxes due in 2014, the statewide average levy rate (combined state and local) amounted to \$12.25 per \$1000 AV.
- Among the 39 counties, the average levy rates ranged from a low of \$6.85/\$1,000 AV in San Juan County to \$15.23/\$1,000 AV in Pierce County.

101% levy limit.

- The state levy is subject to the 101% levy limit.
- Over time, the rate the state is allowed to levy tends to drift downward from the maximum statutory levy rate.
- For taxes due in 2014, the state levy rate before equalization was approximately \$2.25/\$1,000 AV.

1% levy limit.

- In 1972, voters adopted a constitutional limit of 1% applicable to almost all regular levies.
- Thus, the aggregate of all such levies cannot exceed 1% of the current market value of any individual property (\$10.00 per \$1,000 of assessed value if the property were assessed at its true and fair value).

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Revenue Impact

General Fund Impacts (\$ millions):

FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
\$ -	\$ 894.4	\$ 894.4	\$ 1,730.6	\$ 1,778.6	\$ 3,509.2

Notes:

- Estimates assume the increase is effective only for the state property tax levy calculated in December 2016 for taxes due in 2017.
- Estimates reflect the November 2015 Economic & Revenue Forecast Council revenue forecast.

Expenditure Impact

FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
\$ 9,400	\$ -	\$ 9,400	\$ -	\$ -	\$ -