

Tax Structure Work Group

Update the Property Tax Limit Factor for Changes in Population and Inflation Locals Levies Only @ 5% Maximum

Current Law Current law annually limits taxing districts property tax levy increases to the levy growth limit, often referred to as the “101% levy limit” or the “1% growth limit,” plus any increase in levy capacity for the following add-ons:

- New construction.
- Construction of wind turbine, solar, biomass, and geothermal facilities.
- Improvements to property.
- Increased value of state-assessed property.
- Increases in real property value within a local tax increment finance area designated by a local government.

Current law also defines:

- Inflation as the percentage change in the implicit price deflator (IPD) for personal consumption expenditures for the United States as published for the most recent 12-month period by the Bureau of Economic Analysis of the Federal Department of Commerce by September 25th of the year before the taxes are payable.
 - The limit factor:
 - For taxing districts with a population of less than 10,000 as 101%.
 - For all other districts as the lesser of 101% or 101% plus inflation. If the IPD is less than 1% then taxing districts who adopt a substantial need resolution can have a limit factor up to 101%.
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Proposal

Except for the state property tax levies, this proposal revises the 101% levy limit for all local taxing districts’ regular property tax levies, as follows:

- Revises the definition of “inflation” to mean the annual percentage increase in the consumer price index for all urban consumers (CPI-U) in the western region for all items as provided for the most recent 12-month period by the Bureau of Labor Statistics of the United States Department of Labor by July 25 of the year before the year the taxes are payable.
 - Revises the definition of “limit factor” to mean 100% plus population change and inflation, but not to exceed 105%.
 - Defines “population change” to mean the annual percent increase in the population of a taxing district between the two most recent years as provided in the official population estimates published by the Office of Financial Management for April 1 of the year before the taxes are payable. It also provides the following:
 - If a taxing district’s population decreases, the population change is zero.
 - Allows for population change for districts in more than one county or city.
 - Excludes changes in population resulting from an annexation by a city.
 - Repeals existing substantial need resolution requirements.
 - Requires local taxing districts to include the district population change as part of the district’s annual budget resolution to their county legislative authority, or the county assessor if required.
 - Requires county assessors to calculate the levy limit calculations, except for the state school levies and intercounty rural library levies.
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Effective Date This proposal takes effect beginning with property taxes due for Calendar Year 2024.

- Revenue Assumptions**
- The limit factor for the state levies remains unchanged.
 - Taxing districts taking less than the current 1% limit will not utilize the increased limit factor.
 - No prorationing occurs under the \$5.90 aggregate limit due to the increase in the limit factor.
 - No prorationing occurs under the \$10 constitutional aggregate limit due to the increase in the limit factor.
 - The calculation of population growth will not include growth due to annexation.
 - Based on five years of state property tax collections, 52.36% of property tax collections occur in April and 47.64% occur in October. When converting from calendar year to fiscal year, this estimate assumes revenue gains and losses follow this trend.
 - The Economic and Revenue Forecast Council predicts the state property tax levy remains below the \$3.60 limit throughout the 2025-27 Biennium.

PROPERTY TAX SHIFTS:

This legislation results in no state or local property tax levy shifts.

- Data Sources**
- Economic and Revenue Forecast Council, November 2022 forecast
 - Office of Financial Management, April 1, 2022, Population Estimates
 - Office of Financial Management, State Population Forecast
 - Department of Revenue, State Property Tax Model
 - Department of Revenue, State Levy Calculations for Property Taxes Due in 2023
 - County assessor data
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Local Government Impact Local Government, if applicable (cash basis, \$000):

FY 2024 -	\$ 121,600
FY 2025 -	\$ 364,700
FY 2026 -	\$ 586,500
FY 2027 -	\$ 769,600
FY 2028 -	\$ 945,900
FY 2029 -	\$ 1,134,700

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Calendar Year Detail **DETAIL OF REVENUE IMPACT FOR PROPERTY TAX BILLS, Calendar Year Basis**

State Government, Impact on Revenues (\$000): None

State Government, (\$000), Shift of Tax Burden: None.

Local Government, Impact on Revenues (\$000)

CY 2024 -	\$ 232,200
CY 2025 -	\$ 485,200
CY 2026 -	\$ 678,600
CY 2027 -	\$ 852,400
CY 2028 -	\$ 1,031,000
CY 2029 -	\$ 1,229,000

Local Government, (\$000), Shift of Tax Burden: None.

Note Please note that our review, comments and any estimates provided are not intended to reflect a policy position by the Department and are solely to assist you in exploring options under development.

Further Information KATHY OLINE
Research and Fiscal Analysis Division
(360) 534-1534
