

Property tax - How the one percent property tax levy limit works

What is the one percent levy limit on increases in property taxes?

It limits increases in taxes by individual taxing districts to one percent annually. For example, if a city levies their highest lawful I levy, \$1 million in property taxes, it can only levy \$1.01 million the next year, plus any tax revenues generated by new construction, improvements to property, state assessed utility value increases, and wind turbines, solar, biomass, and geothermal facilities added to the tax rolls in the past year.

Does that mean my property taxes cannot rise more than one percent a year regardless of how much my assessed value increases?

No, not necessarily. Individual tax bills are based on a number of factors, including how much your property changes in value relative to other property in a taxing district, and whether voters approve tax increases beyond the levy limit.

How is my tax bill calculated?

Your property tax bill is composed of taxes levied by the state, counties, cities, schools, and several other “junior” taxing districts such as fire districts and hospitals. The annual property tax statement you receive in the mail every February usually provides a breakdown of these levies by district. Each district applies a specific rate, and the rates are added together to determine how much tax you will pay on the taxable value of your property. The statewide average levy rate was \$11.20 per \$1,000 assessed value for taxes due in 2017. Of this, the combined local regular tax rate was \$4.85, the local voter-approved rate was \$4.30, and the state school levy was \$1.89.

How does the one percent levy limit affect property taxes on individual homes?

The one percent limit applies to the maximum increase in tax revenue that can be levied by an individual taxing district. It does not apply to individual homes, which tend to increase in assessed valuations at varying rates

depending on location and other factors. Taxes on individual homes could increase by more or less than one percent depending on how they change in value relative to other properties in a district.

Example:

- **Home A** increases from \$200,000 to \$220,000 in assessed value within a city (a 10 percent increase)
- **Home B** increases from \$200,000 to \$240,000 in assessed value (a 20 percent increase)
- **Home C** increases from \$200,000 to \$230,000 in assessed value (a 15 percent increase - the average increase in assessed valuations for all properties.)

The city collected \$1,000,000 in property taxes in 2017 at a rate of \$1.00 per \$1,000 assessed value, on a total valuation of \$1 billion. The city can increase its 2018 levy by one percent to \$1,010,000 in 2018 (not counting any additional tax revenue from new construction added to the tax rolls in the past year). The total taxable value of properties in the district increased 15 percent from \$1 billion to \$1.15 billion (not counting new construction, improvements to property, state assessed utility value increases, and wind turbines, solar, biomass, and geothermal facilities). In order to keep from collecting more than one percent additional tax on existing properties, the city's tax rate is lowered to \$0.878261 from \$1.00 per \$1,000 assessed value.

2017, each of these three homes paid \$200 in taxes on \$200,000 of assessed value at the \$1.00 rate. In 2018, the tax depends on how their assessed values change compared to other properties in the city.

- **Home A** value increased by 10 percent; taxes drop to \$193.22 on \$220,000 of assessed value at \$0.878261 rate (3.39% decrease)
- **Home B** value increased by 20 percent; taxes rise to \$210.78 on \$240,000 of assessed value at \$0.878261 rate. (5.39% increase)
- **Home C** value increased by 15 percent; taxes rise to \$202.00 on \$230,000 of assessed value at \$0.878261 rate (1% increase)

Can all taxing districts automatically increase their property tax levy by one percent?

No. A taxing district must hold a public meeting and adopt a resolution or ordinance authorizing an increase in their regular property tax as compared to the prior year's actual levy before they can increase their highest lawful levy by the maximum 101 percent levy limit factor.

How is the school district portion of the property tax affected by the one percent levy limit?

Most voter-approved measures, including, but not limited to enhancement and bond levies proposed by school districts, are not subject to the one percent limit. The limit only affects regular levies, most of which are not subject to voter approval.

Is the state school levy subject to the one percent limit?

Yes, the state school levy is subject to the one percent limit, with the exception of the 2018 – 2021 tax years. Growth in this levy, which is dedicated to K-12 funding, was limited to the rate of inflation under Referendum 47, which was in effect from 1997 through 2001, and to one percent since 2002 under Initiative 747 (I-747) and reenactment by the Legislature of the one percent limit after the Supreme Court ruled I-747 to be invalid. This limit does not include property taxes from new construction, improvements to property, state assessed utility value increases, and wind turbines, solar, biomass, and geothermal facilities added to the tax rolls.

EHB 2242 changed the state school levy from a budget based system, limited by the one percent growth, to a \$2.70 per \$1,000 market value rate based property tax for the 2018 – 2021 tax years. ESSB 6614 changed the rate based levy from \$2.70 per \$1,000 market value to \$2.40 per \$1,000 market value for the 2018 tax year.

How do levy lid lifts affect property taxes?

Taxing districts can propose that voters "lift" the one percent levy limit on annual levy increases so the district can collect a higher levy amount, up to the maximum rate limit amount for that jurisdiction. Districts have certain statutory maximum rates but many of these districts have seen their levy rate reduced year after year to avoid levying more than one percent additional revenue as property valuations increase. A levy lid lift lets them increase rates up to the statutory maximum rate.

Can taxing districts use "banked capacity" to increase taxes beyond one percent?

Some taxing districts have levied less than the maximum amount allowed over the years, particularly in the years when a district could increase highest lawful levy by six percent. The law allows these districts to retain the right to use that "banked" capacity at some future date, thus when comparing a district's current year levy to their prior levy it may reflect a change of more than one percent. Many districts have never used that capacity even though they could have done so at any time

How do property taxes stack up against personal income and taxes in other states?

Property taxes relative to income have varied over the years but over time have kept in line with personal incomes. In 2015, the most recent year for which national comparisons are available, Washingtonians paid \$28.14 in property taxes per \$1,000 of personal income. At that time, Washington ranked 32nd highest among the states. In 2011, property taxes were \$30.21 per \$1,000 for a ranking of 31st highest. In 2010, property taxes were \$30.23 per \$1,000 for a ranking of 33rd highest. In 2005, property taxes were \$30.60 per \$1,000 for a ranking of 28th highest. In 1995, property taxes were \$36.30 per \$1,000 for a ranking of 24th highest.

How are my property taxes spent?

This varies by location, but statewide, 54.4 percent of property taxes were used to finance schools in 2017. Counties and roads receive 15.9 percent for general county government and cities receive 12.9 percent, and junior taxing districts such as fire districts, ports and libraries shared 9.9 percent.

Is there any help available for senior citizens or the disabled?

Yes. Senior citizens and the disabled on limited incomes are eligible for exemption from paying some property taxes, depending on their income levels. More information is available here.

What other information is available on property taxes?

Detailed information on property taxes levied by all taxing districts is available in Property Tax Statistics, which the Department publishes annually based on information it receives from counties.

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