

# Funding education

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The 2017 Legislature passed Engrossed House Bill (EHB) 2242 to meet its obligation to fully fund basic education for public schools. In addition to other education-related requirements, this bill makes changes to:

- Property taxes imposed by the state.
- Certain voter-approved property taxes imposed by school districts.
- State funding for certain school districts.

In 2018, the Legislature made additional changes to lower the levy rate for taxes payable in 2019.

In 2019, the Legislature increased the maximum levy limitations for voter approved local school district enrichment levies.

## **State levy**

EHB 2242 temporarily changes the state levy from a budget-based system to a rate-based system. The rate for taxes due in 2018 through 2021 will be fixed at \$2.70 per \$1,000 of market value.

As a result of ESSB 6614 passed in 2018, the rate for 2019 will be \$2.40 per \$1,000 of market value.

The legislation divides the state levy into two parts. The first part (Part 1) functions much like the previous state levy. The rate established for tax year 2018 will be frozen and used for taxes due for the remainder of the rate-based period (2019-2021).

The second part of the state levy (Part 2) is equal to \$2.70 (\$2.40 for 2019) minus the rate of Part 1. The rate for state levy Part 2 is also fixed at the 2018 rate for tax years 2020 through 2021.

## **Example**

\$2.70 (Fixed levy rate) - \$1.76 (Part 1) = \$0.94 (Part 2) for 2018, 2020 and 2021  
\$2.40 (Fixed levy rate) - \$1.76 (Part 1) = \$0.64 (Part 2) for 2019

**Important:** This example assumes the assessed value is at 100 percent of true market value. Actual state rates will vary by county.

## Local levies

In 2019, maintenance and operations levies proposed by local school districts and approved by voters were replaced by enrichment levies. Enrichment levies are capped at the lesser of \$1.50 per \$1,000 of assessed value or \$2,500 per full-time equivalent student.

For taxes due in 2020, the levy cap for voter-approved enrichment levies has increased. Enrichment levies are capped at the lesser of:

- Districts with less than 40,000 full-time students:
  - \$2.50 per \$1,000 of assessed value, or
  - \$2,500 per full-time equivalent student, adjusted by inflation for taxes due in 2021 and later.
- Districts with 40,000 or more full-time students:
  - \$2.50 per \$1,000 of assessed value, or
  - \$3,000 per full-time equivalent student, adjusted by inflation for taxes due in 2021 and later.

Before a school district can propose a ballot measure for an enrichment levy, it must submit expenditure plans to the Office of Superintendent of Public Instruction and receive approval.

Local Effort Assistance from the state is still available to qualifying districts with enrichment levies. This assistance is dependent on several factors including the district's actual enrichment levy rate; The office of Superintendent of Public Instruction determines eligibility for Local Effort Assistance.

## Exemptions

Current exemptions still apply to Part 1 of the state levy and now also apply to Part 2. Farm and agricultural machinery equipment is fully exempt from both Part 1 and Part 2 of the state levy but is still subject to local property

taxes. Starting with the 2025 tax year, personal property used for renewable energy generation or storage is also fully exempt from both Part 1 and Part 2 of the state school levy.

The full or partial exemption for taxpayers that qualify for the Senior Citizens and Disabled Persons Exemption Program still applies to Part 1 of the state levy. Exemption Program participants that qualify for full or partial exemptions from Part 1 and local levies are fully exempt from Part 2 of the state levy.

## After Tax Year 2021

Beginning with taxes due in 2022, the state levy returns to a budget-based system with a maximum levy rate of \$3.60 per \$1,000 market value. The state levy will be capped at the lesser of the 1 percent growth factor or inflation, plus additional amounts for new construction and increases in the value of state assessed property.

## More information

[Tax Topic - Funding Education \(pdf\)](#)

[Funding Education Q&A \(pdf\)](#)

[Funding Education Infographic 2018, 2020, 2021 \(pdf\)](#)

[Funding Education Infographic 2019 \(pdf\)](#)

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