

# Washington

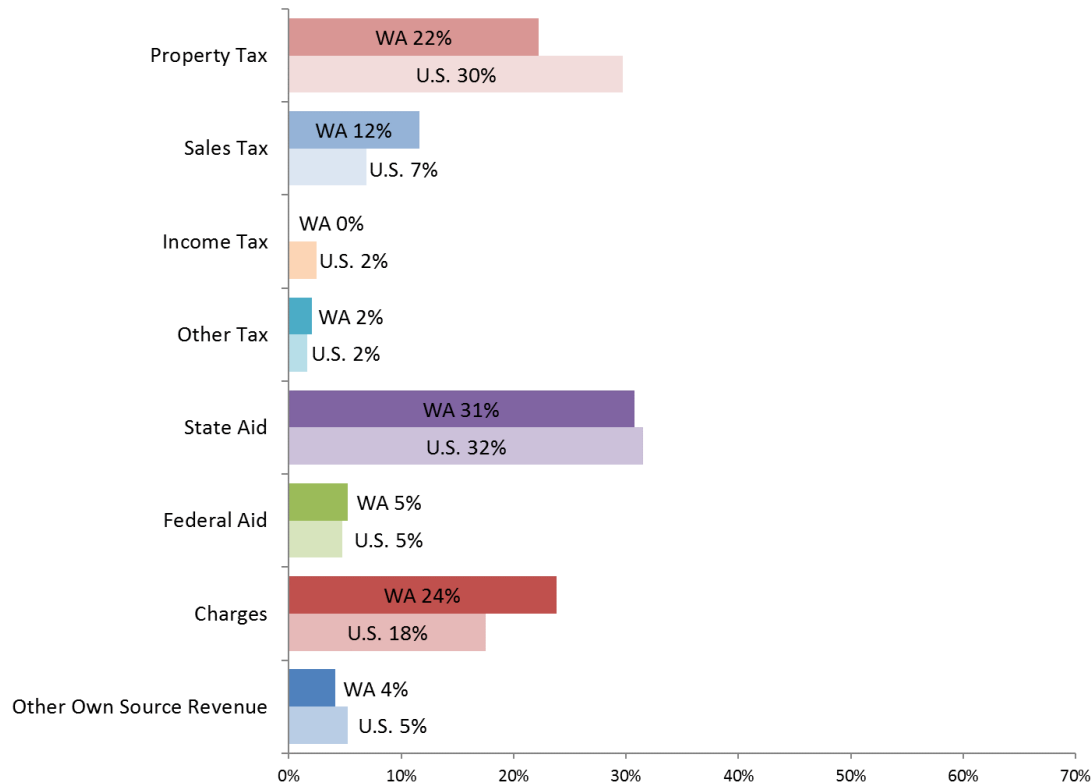
## Highlights

Washington’s property tax is levied by 1,791 entities, including the state, 39 counties, cities, towns, schools, and special districts (figure WA-1). Because Washington does not levy either a personal or a corporate income tax, it derives a significant amount of revenue from the property tax. In 2013, the state received approximately \$2 billion in property tax revenue, which accounted for about 20 percent of all property tax revenue from all taxing entities (Washington Department of Revenue 2015c).

Property tax-exempt government agencies own 43 percent of the state’s total land inventory, of which nearly two thirds is in federal ownership. The remaining tax-exempt lands belong to the Department of Natural Resources, Department of Fish and Wildlife, state parks, and city and county governments (Washington Public Lands Inventory 2015).

Additionally, 22 percent of Washington’s total acreage is enrolled in the agricultural, timber, and open-space use programs and so is assessed at reduced values (Washington Department of Revenue 2015c).

**Figure WA-1**  
**Sources of Local General Revenue, Washington and U.S., 2013**



Source: U.S. Census via Significant Features of the Tax

## Property tax reliance

In 2013 property tax collections as a percentage of state and local revenue in Washington were at the U.S. average, while property tax burden as a percentage of personal income ranked thirtieth among all states (table WA-1).

**Table WA-1**

### Selected Washington Property Tax Statistics, 2013<sup>1</sup>

	Washington	U.S. Average	Rank (of 51) <i>1 is highest</i>
<a href="#">Per capita property tax</a>	\$1,351	\$1,441	24
<a href="#">Property tax percentage of personal income</a>	2.8%	3.2%	30
<a href="#">Total property tax as percentage of state-local revenue</a>	16.1%	16.9%	25
Median owner-occupied home value <sup>2</sup>	\$262,100	\$176,700	9
Median real estate taxes paid for owner-occupied home <sup>2</sup>	\$2,770	\$2,107	13
Effective tax rate, median owner-occupied home <sup>3</sup>	1.1%	1.2%	23

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

<sup>1</sup> All revenue numbers in this table include the state government as well as local governments.

<sup>2</sup> The statistics for median owner occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2009–2013.

<sup>3</sup> Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

## Administration and Assessment

The State Department of Revenue assesses intercounty, interstate, and foreign utility companies, whereas the 39 county assessors assess properties for all tax districts located within their jurisdictions. The Department of Revenue also provides general guidance and support to local assessors and ensures uniformity through regularly conducted ratio studies (Washington State Department of Revenue 2015c).

The property tax applies to both real and tangible personal property, although inventories are exempt from taxation. Washington requires annual reassessments and physical inspections of each property at least once every six years. Properties are appraised at full market value, according to their highest and best use.

Agricultural, timber, and open-space lands are eligible for property tax reductions within the state's current-use programs. In these programs, agricultural lands are assessed at 34 percent of their market value, while open-space lands and lands under timber are assessed at 20 percent and 6.5 percent of market value, respectively. Most acreage under current use is agricultural land (Washington State Department of Revenue 2015c).

## Limits on Property Taxation

Washington places limits on increases in both levies and property tax rates (table WA-2).

A one percent levy growth limit applies to the taxing district's total levy amount: Districts are limited to one-percent regular annual levy increases over the highest amount that could have been levied since 1985. However, because this levy limit does not include new construction and annexation, the actual levy increases may exceed the one percent limitation. New construction is taxed at the existing rate within the taxing district, while annexed property is taxed at the new rate of the taxing district within the new annexed area.

Statutory property tax rate limits apply on specific taxing districts. For example, counties are limited to 1.8 mills, while road districts are limited to 2.25 mills. A separate one-percent constitutional property tax rate limit applies to an individual's combined property tax rates. Voter-approved regular levies, subject to the one-percent aggregate limit, fund affordable housing; criminal justice; and emergency, medical, and other government services. These are introduced for six-to ten-year periods. Excess levies can exceed the constitutional 1 percent limitation. Excess levies fund school maintenance and operations, reduce bonded indebtedness, and finance other specific programs. Except for school district maintenance and operations excess levies require 60 percent voter approval. School levies require approval by a simple majority (Washington State Department of Revenue, Property Tax Division 2015).

## Property Tax Relief and Incentives

The Senior Citizen and Disabled Person Property Tax Exemption Program provides property tax assistance to the retired and disabled property owners whose combined incomes do not exceed \$40,000. Within this program, tax relief varies within each of the three tiers of exemptions.

The Property Tax Deferral Program is available to income-qualified homeowners, who may apply to defer the second half of their annual property taxes and special-benefits assessments of up to 80 percent of home equity on their primary residence. The deferred amount becomes a lien on the property and is due in full, with 5 percent interest, upon the claimant's death, relocation, or home resale.

The Property Tax Deferral for Homeowners with Limited Income Program is available to homeowners with combined annual income of up to \$57,000, who may defer the second installment of their property tax payment to the following year along with a 2 percent interest payment. This program has certain restrictions and is limited to 40 percent of the homeowners' equity in the property. (Washington State Department of Revenue 2015c).

Washington has a tax increment finance program, called Community Revitalization Financing, and several other property tax incentive programs for economic development targeted to residential property, the aerospace industry, and aluminum smelting.

**Table WA-2**
**Washington Property Tax Features, 2013**

Feature	Washington	Count for 50 states plus DC
<a href="#">Statewide classification of real property</a>	No	25
<a href="#">Assessment of property primarily by county</a>	Yes	30
<a href="#">Limits on property tax rates or levies</a>	Yes	45
<a href="#">Limits on the rate of growth of assessed value</a>	No	19
<a href="#">Circuit breaker property tax relief program</a>	Yes	34

Sources: Significant Features of the Property Tax

## Key Property Tax History

Washington State mandates uniform taxation of property within each property class in each taxing district. Property tax exemptions were granted to U.S. government property, churches, private schools, and colleges in the 1920s. In the 1990s, more exemptions were extended to federally subsidized housing, nonprofit homes occupied by persons with senior citizen exemptions, other nonprofit organizations, and the very low-income housing operated by the nonprofits.

In 1955, Washington established a four-year mass valuation cycle, later revised to a six-year cycle with an annual reassessment. Assessment levels are at full market value, up from one-half before 1973. Equalization procedures were established in 1978.

Although mobile homes and fixed trailers are still part of the of the personal property tax system, most household goods and effects, including motor vehicles, have been exempt since 1937. Exemptions to business inventory have been similarly introduced over 1974 to 1983.

Leading up to the Washington Open Space Taxation Act in 1970, the 53rd Amendment to the State Constitution allowed for the current-use assessments of open space, timber, and agricultural land in 1968 (Washington State Department of Revenue 2014a; Washington State Department of Revenue, Property Tax Division 2015).

In 1978, the Washington Supreme Court issued its first ruling requiring the legislature to substantially increase school funding. *Seattle School District No. 1 v. State* stated that the duty of the state to provide an adequate education for its students was “preeminent” and that “sufficient funds” from “dependable and regular tax sources” were necessary (ACCESS 2011).

In 2001, Initiative 747 (I-747) was enacted, limiting levy increases for taxing districts to one percent annually and imposing requirements for additional public disclosure of a district's decision to increase property taxes. In 2007, the Washington Supreme Court ruled I-747 unconstitutional; but the legislature met in special session in November of that year and reinstated the limit provisions that had been contained in the initiative.

The 2012 state Supreme Court ruling *McCleary v. State of Washington* found that the legislature had fallen short of providing adequate resources for basic education. The legislature increased funding in the 2013–2015 budget, but the court found this increase insufficient and has continued to monitor state education aid. The mandate under *McCleary* is for the state to fully fund basic education by 2018 (Ujifusa 2015, Harvard Law Review 2015).

## Recent Developments

In 2013, in *Confederated Tribes of the Chehalis Reservation v. Thurston County Board of Equalization*, the U.S. Court of Appeals for the Ninth Circuit ruled that improvements to land held in trust for an Indian tribe or tribal member are exempt from property taxation regardless of their ownership. Because 7 percent of total land in Washington is held in trust funds for Indian tribes, and because the assessed value of some of these improvements (e.g., the Great Wolf Lodge resort) significantly curtails the property tax base in select counties, this ruling marked a major change to Washington's property tax system (Washington State Department of Revenue 2014b).

In September 2014, the state's Supreme Court found the legislature in contempt for failing to make sufficient progress in meeting the 2018 *McCleary* deadline in providing adequate funding to its schools (Harvard Law Review 2015).

## Resources

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