

State School Levy Property Tax Tip Sheet

MAY 2018

Property tax is the primary funding source for Washington's public schools. Two types of property tax levies support the state school system; the state school levy paid by all Washington property owners for public schools, and special or excess levies approved by voters for a specified school district.

Revenues from special or excess levies may only be used for that school district. Funds collected from the state property tax levy go to the state's general fund. This money is distributed to school districts throughout the state on a set formula.

The state property tax rate for the 2018, 2020, and 2021 tax years is \$2.70 per \$1,000 market value and \$2.40 per \$1,000 market value for the 2019 tax year. The maximum state property tax rate is \$3.60 per \$1,000 of market value for the 2022 tax year and thereafter (RCW 84.52.065).

Starting with the 2018 tax year, the state school levy consists of two parts, referred to as Part 1 and Part 2. Only Part 1 of the levy is subject to the 1 percent growth limit for the 2018 tax year. Once the 2018 tax year Part 1 rate is established, it remains the same (frozen) for 2019, 2020 and 2021 tax years. The rate for Part 2 is determined by subtracting the rate for Part 1 from \$2.70, for the 2018, 2020 and 2021 tax years. The rate for Part 2 is determined by subtracting the rate for Part 1 from \$2.40, for the 2019 tax year.

The 1 percent growth limit does not apply to the 2018 tax year Part 2 levy or Parts 1 and 2 levies for tax years 2019 through 2021.

Those who qualify for the Senior Citizens and Disabled Persons exemption Program will continue to be eligible for a full or partial exemption from Part 1 of the state school levy. Those that qualify for this program are fully exempt from Part 2.

Farm and agricultural machinery equipment is fully exempt from both Part 1 and Part 2 of the state school levy.

Equalized state school levy

The foundation of all property tax levies, including the state school levy, is uniformity in taxation. Under the law, county assessors must value all taxable property at 100 percent of true and fair market value (RCW 84.40.030, 040). All 39 county assessors value property every year using mass appraisal techniques.

Before the Department of Revenue (Revenue) calculates how much to collect from each county for the state school levy, we conduct an annual ratio study. This study establishes the level of assessment for both real and personal property in each county.

The ratio measures the difference between the true and fair market value and the county assessed value. The individual ratios are then applied to the county assessor's real and personal property, adjusting the assessments to true and fair market value prior to determining each county's share of the state school levy. This ensures property owners pay what is truly due for the state school levy.

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Example

Mr. Baker owns a property in County A and Mr. Rainier owns property in County B. The properties are identical in every way, except they are located in different counties.

County A assessed Mr. Baker's property at \$99,000 and County B assessed Mr. Rainier's property at \$80,000. Based on Revenue's study, the true and fair market value of each property is \$100,000.

Without an equalized assessment, this is how Mr. Baker's and Mr. Rainier's school tax levy would be assessed:

	Assessed value		Statutory rate*	Tax due
Mr. Baker	\$99,000	X	\$2.70 per \$1,000	= \$267.30
Mr. Rainier	\$80,000	X	\$2.70 per \$1,000	= \$216.00

To ensure both taxpayers pay the correct amount of property tax, Revenue applies the individual county assessor's ratio to the assessed value equalizing assessments for the properties in each county and determines the amount of tax the state school can levy. Then, the assessor calculates a levy rate for the state school levy using their assessed values. This results in an equalized levy rate as shown in the following example:

	Equalizing rate (Rate/Ratio)	Assessed value		Equalized rate*	Tax due
Mr. Baker	$(\$2.70/99\% = \$2.7272)$	\$99,000	X	\$2.7272	= \$270.00
Mr. Rainier	$(\$2.70/80\% = \$3.375)$	\$80,000	X	\$3.3750	= \$270.00

*Levy rate per \$1,000 assessed value

The rate difference doesn't mean one owner is getting a break, or that another owner is over charged. It simply allows for equal application of the state school levy. For the 2015 tax year, individual levy rates ranged from \$2.13 and \$2.58 per \$1,000 assessed value.

Questions?

If you would like more information about the state school levy, contact the Department of Revenue at (360) 534-1400.

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For tax assistance or to request this document in an alternate format, visit <https://dor.wa.gov> or call 1-800-647-7706. Teletype (TTY) users may use the Washington Relay Service by calling 711.

Prepared by the Taxpayer Services Division

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