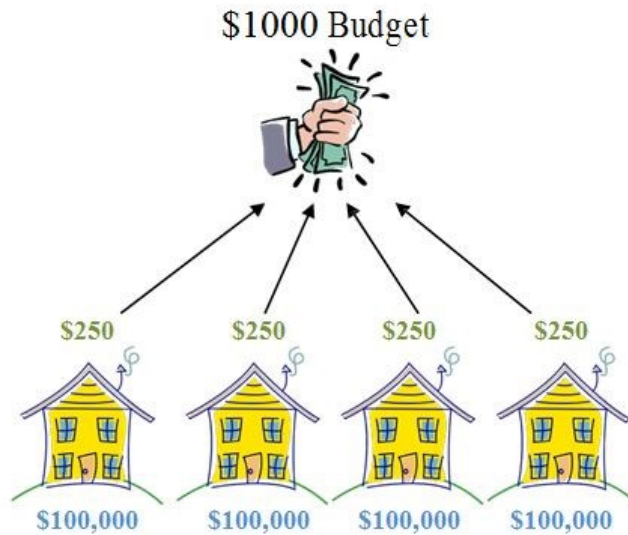


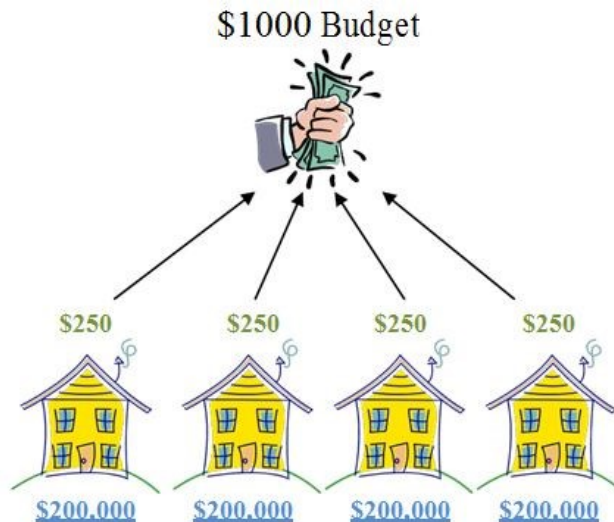
PROPERTY TAX EXPLANATION

Over the years, our Office has received a number of inquiries asking us to explain how our property taxes are determined and where limits apply. Below is an explanation with a fictitious city and some simple illustrations.

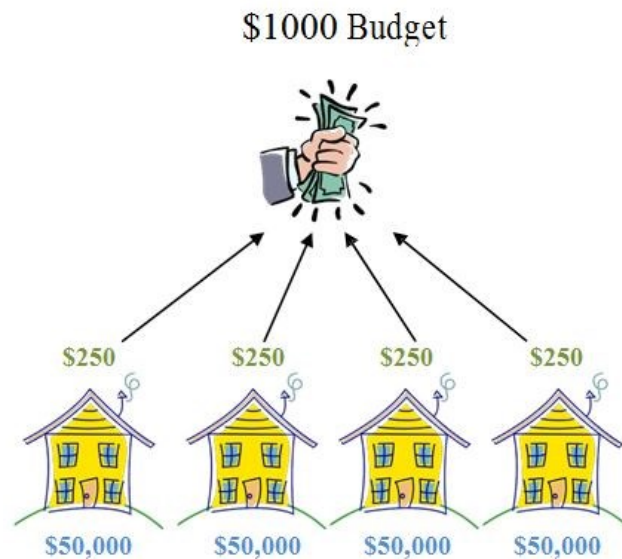
Imagine a little city that consists of four homes, each exactly the same, and each appraised by the Assessor at \$100,000. Let's also say that the annual city budget for our little city is \$1,000. To raise the money needed to support the \$1,000.00 budget, each homeowner must pay \$250 in property taxes. Four homes each paying \$250 raises the \$1,000. **This property tax system is budget based.** This means that only enough taxes are collected to raise the amount of the budget and no more.



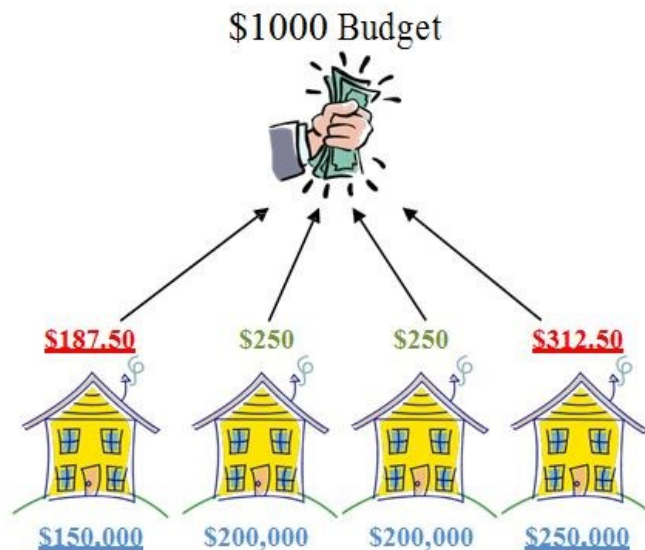
Now, let's say that next year's budget remains at \$1,000.00 for the year, but the Assessor doubles the assessed value of all the homes to \$200,000 each. Do the taxes for each of the homes in our city change? **No.** To raise the **budgeted amount** of \$1,000.00, each homeowner still pays \$250 in taxes for the year. In this example, the assessed value of each home doubled, but the tax collected for each home did not change.



Now, what happens if the next year's budget remains at \$1,000.00, but the Assessor lowers the assessments on all four homes to \$50,000 each? Do the taxes on each of the homes change? No, they do not. To raise enough money for the **budget**, each homeowner must still pay \$250. Four homes each paying \$250 raises \$1,000. In this example, the assessed value of each home was cut in half, but the tax didn't change



Now let's get a bit more realistic and say that the values on the homes change differently. Suppose one home goes from \$100,000 to \$150,000. Two homes double in value to \$200,000 and the last home jumps up to a whopping \$250,000! Now what happens to the taxes? The taxes on the two homes that go to \$200,000 are unchanged, and they each still pay \$250. The lowest valued home sees its tax go down to \$187.50, even though the assessed value goes up 50 percent! The home that jumped 150 percent to \$250,000 in value sees its property tax go up to \$312.50, a 25 percent increase. In the end, we still only raise \$1,000.00 total to meet the budget.



But wait. Normally budgets don't stay the same; they go up, right? Back in 2000, Washington State voters approved Initiative 747. This law limits annual budget increases to one percent, unless voters approve a greater increase. In our imaginary city, the \$1,000 budget can only increase in the second year by one percent to \$1,010, unless the voters who live in the city approve a higher increase.

The law limiting growth in annual budgets to a one-percent increase is just one of several limitations on property taxes. Most levy rates have individual maximums. For example, the county's general levy rate may not exceed \$1.80 per \$1,000 of assessed value. Similarly, most fire districts are limited to \$1.50 per \$1,000 of assessed value. The aggregate of tax levies for all local districts in any one tax code area may not exceed \$5.90 per \$1,000 of assessed value.

Our imaginary city gives us some simple illustrations of our property tax system. In reality, it's not so simple. In Clark County, there are about 160,000 properties, 48 taxing districts, and 194 tax code areas. Each tax code area is composed of a unique set of overlapping tax districts covering a specific geographic area. The result is that even though we may live near each other, we can be in different tax code areas, and our total tax rates can differ significantly.

There are other elements that influence values and taxes, such as utilities that cross county lines. Railroad property and telephone lines are examples of multi-county utilities that are valued by the state, rather than the county. The values of the portions of the utilities that reside in a tax code area are added to the area's assessed value. The value of business personal property is also added to the tax code area in which it resides.

Several programs offer relief from taxes by lowering taxable values on certain classes of property and by exempting from taxation the value of property owned by certain categories of property owners. Examples include land enrolled in farm, forest, and open space programs and land owned by qualifying seniors and disabled persons. As these programs lower the taxable value of the land, the remaining properties pay the tax that would have been collected on the value that was reduced or exempted. This is because, as we discussed earlier, Washington has a budget-based property tax system. We tax enough to raise the amount in the budget.

Clark County's property tax system operates just like our imaginary little city, but on a much larger scale and with all these additional factors. Nonetheless, our computer systems allow very accurate calculation of property taxes.

There's another important part of Washington's property tax system that needs to be explained. In assessor jargon, Clark County is known as an "annual county." This means all property is adjusted to **fair market value** every year. We accomplish this by physically inspecting and reappraising one-sixth of the county each year and then updating the value of the remaining five-sixths of the County based on sales of comparable properties in the past year.