

Washington State Tax Structure Study

Eliminating the State Property Tax Levy

Eliminating the state property tax levy does not remove the constitutional requirement for funding K-12 education. The state would still need to fund education from existing or new revenue sources.

If you eliminate the state levy, what could be done with the tax capacity created by not have a state property tax? The statutory rate for the state levy is \$3.60. There are two ways of giving local governments the additional tax authority:

- a) Expand the existing authority of the counties and cities. This would increase the county rate from \$1.80 to \$5.40. The city rate would increase from \$3.60 to \$7.20. The problem with this approach is that the counties and cities could not increase their levy beyond that allowed under the levy growth limit of 1%. They would not be able to take advantage of all this new rate capacity.
- b) Create new taxing authority for cities and counties. A new district would be created for the counties and cities. This new district would have a maximum rate of \$3.60. In the first year the additional revenues could be equal to the assessed value of the district multiplied by \$3.60. From that point on the growth of the levy would be limited to 1% growth.