

A LEGISLATIVE GUIDE TO WASHINGTON STATE PROPERTY TAXES



2016

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Introduction

A Legislative Guide to Washington State Property Taxes is offered as a resource to members of the Senate, their staff, and other interested persons to provide an overview of the property tax system in this state. It describes the evolution and characteristics of our property tax structure and provides comparative and historical analyses.

The *Legislative Guide to Washington State Property Taxes* was prepared by the Senate Ways and Means Committee staff (within Senate Committee Services) and the Legislative Evaluation and Accountability Program (LEAP) to provide answers to many of the typical questions regarding property taxes. This *Legislative Guide to Washington State Property Taxes* is a summary of our property tax system intended to assist its readers in understanding basic terminology and gaining a historical and analytical perspective with which to evaluate potential reforms.

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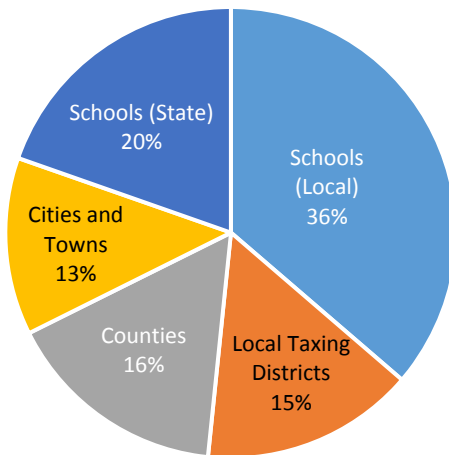
<http://www.leg.wa.gov/senate/scs/wm/default.htm>

How Much Money Does the Property Tax Generate and How is it Spent?

In 2015, Washington State taxpayers paid a total of \$10.3 billion in property taxes to local governments, state government and school districts. \$5.8 billion, 56 percent, of all property tax revenues collected both by the state and local governments are collected in support of K-12 education, with the state's share being distributed entirely to public schools. Of this \$5.8 billion, \$2.0 billion was collected by the state, \$2.3 billion was collected via local maintenance and operations levies, and \$1.5 billion was collected via local levies for capital expenses and bonds.

The proportions displayed in the following chart represent the distribution of taxes collected from the "average" individual taxpayer in the state.

Distribution of Property Taxes Calendar Year 2015

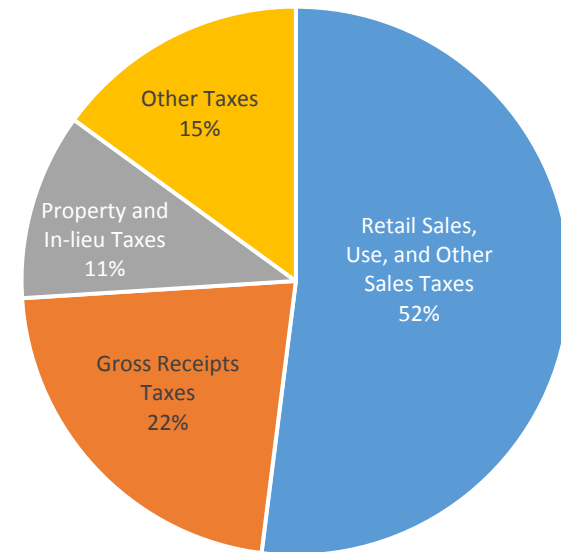


Source: Property Tax Statistics 2015, Department of Revenue

Property taxes are the largest source of tax revenue for local governments, generating about \$4.5 billion in 2015 (excluding local school levies). The state property tax, plus in-lieu taxes, are the third largest source of revenue to the state General Fund, generating approximately \$2 billion in the 2015 fiscal year, or about 11 percent of state tax revenues.

The following chart shows the breakdown of state tax revenues.

State Government Tax Revenue Fiscal Year 2015



Source: Tax Statistics 2015, Department of Revenue

Local government consists of hundreds of separate taxing districts across the state. In addition to the state (a single taxing district for purposes of collecting the state levy), there are 1,791 other local taxing districts, including 39 counties, 281 cities and towns, 365 fire districts, 190 emergency medical service (EMS) districts, 77 ports, and 32 library districts.

What Property is Taxable?

Article 7, section 1 of the state Constitution defines property as everything that can be owned, whether tangible or intangible. The property tax is applied annually to the assessed value of all property unless it is specifically exempt by law.

The Constitution requires that taxes be uniform within a class of property. For property tax purposes, there are two broad classes of property, *real* and *personal*. *Real property* consists of land and buildings, structures, or improvements that are affixed to the land.

In general, everything else is referred to as *personal property*. Because the Legislature has exempted motor vehicles, household goods, and personal effects from the property tax, only personal property used in business is subject to the property tax.

What are the Major Exemptions from Property Tax?

The text of the original state Constitution declares, “[s]uch property as the legislature may by general laws provide shall be exempt.” It is this provision of the Constitution that allows the Legislature to grant property tax exemptions. Note that it allows the Legislature to exempt types of *property*; it does not allow the Legislature to exempt property based on its *owner*.

Any property tax exemption has the effect of slightly increasing the tax rate that owners of all other taxable property must pay by reducing the overall base of taxable property. This circumstance of causing one segment of taxpayers’ taxes to increase as a result of exempting the value of property of another segment of taxpayers is commonly referred to as a “*tax shift*.”

There are numerous exemptions from property tax, established either by statute or constitutionally. The largest exemption is for intangible property. This includes money, mortgages, notes, accounts, stocks and shares of corporations, trademarks, trade names, patents, copyrights, trade secrets, franchise agreements, licenses, etc.

Other exemptions include business inventories, household goods, most personal property, some retired persons, churches, nonprofit hospitals, private schools and colleges, and agricultural products.

When Were These Exemptions Granted?

The exemption for intangible property was originally granted by the Legislature in 1925 and has been amended several times, most recently in 1997. The exemption for business inventories was passed by the Legislature and phased in over ten years, beginning in 1974. Motor vehicles were exempted from property tax in 1937, when the motor vehicle excise tax was enacted which has since been replaced by the vehicle license fee. As early as 1871, there were exemptions for household and personal effects, but the expanded exemption that individuals have today was granted in 1935. Churches and hospitals have exemptions that were granted prior to statehood, in 1854 and 1886 respectively. Computer software was exempted in 1991. Exemptions for agricultural products were subject to legislative changes in 1973 through 1984 when the current exemption for all such products was enacted. Private schools and colleges were exempted by the Legislature in 1925.

It is important to note that many of these exemptions were granted in statute by the Legislature. The state Constitution authorized other exemptions, such as exemptions for governmental entities, a \$15,000 exemption from tax on personal property for sole proprietors, and property tax exemptions for some retired persons.

What Types of Property Tax Relief are Available to Retired Persons?

Property tax exemptions for retired persons (defined as seniors, disabled persons, and 100% disabled veterans) originated with a constitutional amendment in 1966 and have been modified by the Legislature many times since, including most recently in 2015. A constitutional amendment was required because exemptions for retired persons are based on the owner of the property, not on the type of property.

Property tax exemptions are available to retired persons who meet income requirements and are retired. Exemptions include total exemptions for excess levies (voter-approved property taxes) or partial exemptions from regular levies.

Exemption Program

Homeowners 61 years of age and older may apply for an exemption from paying excess levies if their household income is \$35,000 or less. The property tax relief is available for taxes payable in the year after the application is made and every year thereafter. They are also exempt from regular levies on a portion of their home value if their income is \$30,000 or less. A further benefit for these homeowners with incomes of \$35,000 or less is that the taxable value of the property is frozen when the homeowners become eligible for the program.

Deferral Program

A related program allows homeowners at least 60 years of age with household incomes of \$40,000 or less to defer payment of all property taxes. These taxes may be deferred until the sale of the property or until the property ceases to be the permanent residence of the homeowner or surviving spouse.

Even though the eligibility requirements are broader for the deferral program than for the exemptions, only 588 people took advantage of the available tax deferral for 2014, compared to 106,456 people receiving exemptions.

Beginning in 2016, the thresholds for both the deferral and exemption programs will increase by \$5,000.

What Types of Property Tax Relief are Available to Low-Income Persons?

Deferral Program

During the November 2007 special session, the Legislature created a new property tax deferral program for households with a combined disposable income of \$57,000 or less. This program is similar to the existing property tax deferral program for retired persons, but the new program has no age or retirement due to disability requirement.

Under this new deferral program, eligible homeowners of any age may defer one-half of the property taxes and special assessments imposed on the homeowner's primary residence, if the first half taxes and assessments are paid by the April 30 due date. To qualify, the homeowner must have owned the residence for at least five years. The total amount of taxes deferred under this program may not exceed 40 percent of the homeowner's equity value in the property.

What are “Current Use” Valuations and “Open Space?”

A Constitutional amendment in 1968 established a *current use* assessment for *open space*, timber, and agricultural lands. Although not a tax exemption in the strict sense of the term, *current use valuations* reduce the tax burden on certain properties. As a result, the reduction “shifts” the tax burden to other taxpayers just as an exemption does.

The taxable value is based on how the property is currently used, rather than the market value (or the “highest and best use”) of the property. For example, the 2014 market value for all current use properties in the state was \$18.6 billion. The 2014 current use value for these properties is \$5.8 billion, resulting in a 68.8% reduction in overall tax. In 2014, there were 10,056,591 acres in current use classifications.

The *open space* program allows agricultural lands, timberlands, and other “open space” lands to be assessed according to their value as they are currently being used, rather than the market value. This “current use” value is typically much lower than market value and is, therefore, a tax benefit for the property owner.

“*Open space*” lands are lands which conserve natural resources, promote conservation, enhance public value and recreation, preserve visual quality, or have other legislatively identified attributes which are of public benefit. Agricultural and timber lands are subject to various requirements regarding size, use, and income.

When property is removed from the current use valuation program, either by the owner or the assessor due to a change in use, back taxes must be paid.

What Types of Restrictions and Limitations are there on Property Taxes?

The myriad of constitutional and statutory provisions regarding property taxes have served to create an interconnected system of property tax administration and collection. In order to understand the overall system and the rationale for its evolution, it is important to review the restrictions and limitations governing property taxes.

Uniformity in Taxation

Perhaps the most important principle of property taxation in our state is the uniformity of taxation. In the 1853 Organic Act establishing the

government of the Washington Territory, the U.S. Congress imposed a strong requirement for uniformity in taxation in order to prevent the territory's residents from imposing a disproportionate share of taxes on nonresidents. Uniformity of taxation continued as a fundamental principle in the state Constitution adopted in 1889.

The state Constitution includes a *uniformity clause*, which provides that "taxes shall be uniform upon the same class of property within the territorial limits of the authority levying the tax.... All real estate shall constitute one class." This means that taxes must be the same on real property of the same market value. Uniformity requires both an equal rate of tax and equality in valuing the property taxed. Many other states have differential tax rates or different value standards that depend upon the separate classifications of property. Such a system would not be constitutional in Washington.

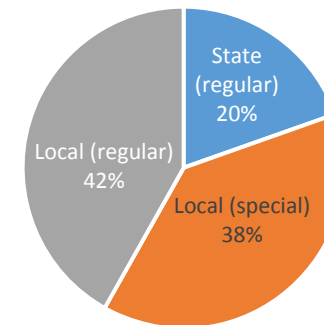
One Percent Limit (Ten Dollar Limit)

Beyond the principle of uniformity, the Washington State property tax system as we know it today really took shape in the early 1970s. In 1972, Washington State voters amended the Constitution to limit the annual amount of property taxes that may be imposed on an individual parcel of property to one percent of its true and fair value. By law, tax rates are stated in terms of dollars per \$1,000 of value. Therefore, the 1 percent limit is the same as \$10 per \$1,000. Under the constitutional amendment, the *one percent limit (\$10 limit)* may be exceeded only with the approval of 60 percent of the district's voters, with the exception of school districts which may pass a levy with a simple majority vote.

Taxes imposed under this limit are termed "*regular*" levies, while those outside the limit are "*excess*" or "*special*" levies.

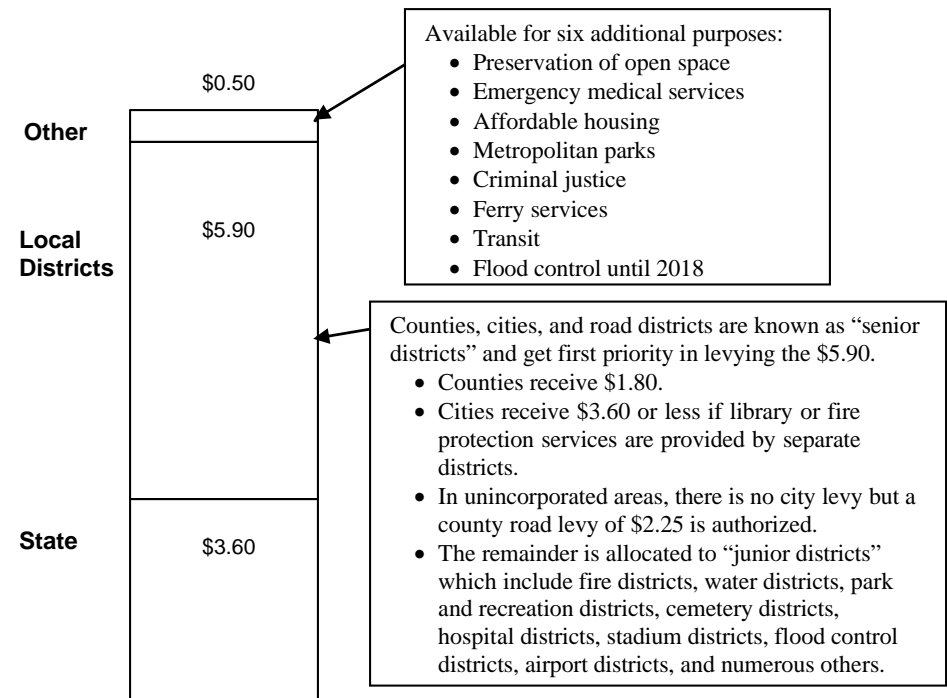
For statewide taxes due in 2015, 61.6 percent were regular levies and 38.4 percent were excess voter-approved levies. The majority of excess levies are school district levies. The following chart breaks down the statewide average regular and excess levies by type of taxing district.

2015 Regular and Special Levies



Source: Property Tax Statistics 2015, Department of Revenue

The one percent maximum rate for regular property taxes is limited further by a complex series of statutes. The \$10 limit is broken down as follows:



The Limit (Inflation) Factor

Local government taxing districts generally determine their property tax levy based on the revenue required to fund their budget for the following year. However, in 1971, the Legislature imposed a statutory limit on annual increases in local governments' revenues from property taxes. Under this limit, revenues from any district's *regular* property tax levy may not exceed 106 percent of the highest amount of revenue received from any levy in the preceding three years. Added to this is an amount to account for new construction and improvements. The 1979 Legislature extended this limit to the state property tax as well.

In 1997, voters passed Referendum 47, which imposed additional requirements on the 106 percent limit. Under this provision, taxing districts with a population over 10,000 were only allowed to increase the regular levy by the rate of inflation or six percent, whichever was smaller. For a district to increase the levy by the full six percent, a super majority vote of the governing body in each district was required. In addition, Referendum 47 limited the growth of assessed values, by averaging large valuation increases over time. This averaging provision was subsequently thrown out by the Supreme Court in 1998 for being unconstitutional because of the requirement for "uniform" valuation of properties.

In 2000, voters passed Initiative 722, which limited future increases of taxable value to the lesser of inflation, or two percent per year. It also limited taxing district increases to 2 percent and rolled back certain property tax increases levied in the year 2000. However, the Supreme Court in 2001 ruled this initiative unconstitutional because it violated the Constitution's requirement that initiatives only involve a single subject.

In 2001, voters passed Initiative 747 (effective in 2002), which restricted taxing districts to a property tax increase of the lesser of inflation, or one percent. This limit is on the taxes collected and not on the growing value of the property. Thus, under Initiative 747, a taxing district could collect only one percent more than the previous year's cumulative total of property taxes assessed within its jurisdiction. Initiative 747 was drafted as a change to the 2 percent limit adopted in Initiative 722. In November 2007, the Supreme Court held that since Initiative 747 amended the two percent limit in Initiative 722 (which had previously been invalidated by the court), Initiative 747 did not set forth in full the law it amended as the Constitution requires. However, that same month, the Legislature met in special session and passed HB 2416, reinstating the one percent levy limit established by Initiative 747.

How is Assessed Value Determined?

There are three criteria used to value real property: *comparable sales*, *cost*, and *income potential*.

- *Comparable sales*: value is determined or estimated based on multiple sales of similar properties. Most residential property is valued using this method.
- *Cost*: value is determined based on the cost of replacing an existing structure with a similar one that serves the same purpose. This method is used to value new construction.
- *Income*: value is determined based on the income producing potential of the property. This method is often used to value business property.

For many years, assessment practices varied widely across the state, resulting in both constitutional and statutory changes intended to improve adherence to requirements for uniformity. In the early 1950s, with the imposition of the real estate excise tax, the state received more accurate data on actual sales prices of real property. This data revealed significant inequities between the assessed value and the actual market value among taxpayers living in different areas of the state. In 1955, the Legislature adopted a property revaluation cycle, requiring that revaluation occur a minimum of every four years.

Frequent revaluation of property during a time when property values are rapidly increasing improves uniformity, because property assessments more closely reflect the current value. Otherwise, recently revalued property is closer to current market values while property that has not been revalued lags far behind the market value. In addition, less frequent revaluation cycles can create rapid increases in property tax assessments. For example, if a property in a rapidly increasing market is revalued every four years, the assessed value will more dramatically jump after revaluation. To address these inequities, the legislature passed Substitute Senate Bill 5368 in 2009 which required annual revaluations in all counties by the year 2014. All 39 counties met the goal of converting to an annual revaluation cycle by 2014.

home with 10 percent value growth would likely see a significant increase.

How is Property Assessed and the Tax Collected?

All property, except new construction, is assessed on its value as of January 1 of the assessment year and is listed on the tax rolls by May 31. For new construction, the value as of July 31 of the tax year is listed on the rolls. Notices of valuation changes are mailed to the owner of the property. If taxpayers disagree, they can appeal the valuation. Appeals of assessed values must be filed with the county board of equalization by July 1 or 30 days following the mailing of the notice of revaluation, whichever is later. However, the county legislative authority may authorize up to 60 days.

The treasurer in the county where the property is located collects property taxes. The treasurer is required to send each taxpayer a notice which must include the amount of tax owed, the value of both real and personal property, and the name and amount for each taxing district levying a tax. The notice must also separately state the amount of excess (voter-approved) levies. The county treasurer mails the tax bill to the “taxpayer” listed on the tax rolls, which may be a lending institution in cases where the property owner has provided that taxes are to be paid from a reserve account administered by the lending institution. The treasurers mail tax bills in early to mid-February. The first half of the tax is due by April 30; the second half by October 31. Given the timelines required for revaluation and billing, the taxes due in any particular year are based upon the assessed value from the preceding year.

What Does Equalization of Assessments Mean?

In the 39 counties in Washington State, there are differences in revaluation cycles and assessment practices. The state Constitution requires taxes on real estate to be uniform within a district. For the purpose of collecting the state property tax, the state is one district. Since differences in county assessment practices would result in the state property tax being applied non-uniformly across the state, the Department of Revenue estimates, in each county, the relationship between the assessed value and the actual market value.

The Department of Revenue then adjusts the state property tax rate according to the average appraised value for that entire county, but does *not* adjust assessed values for each property. As a result, the effective

state property tax rate is different in each county. However, this rate multiplied by the assessed value results in a uniform tax across the entire state. This process is called “*equalization*.”

For example, if a parcel of property sold for \$100,000 (after deducting an amount for any personal property that may have been included in the sale) and its assessed value is \$90,000, the ratio of assessed value to market value would be 90 percent, determined as follows:

$$\begin{array}{rccccccc} \text{Assessed Value} & \div & \text{Market Value} & = & \text{Assessment Ratio} \\ \$90,000 & \div & \$100,000 & = & 90\% \end{array}$$

Are Public Schools Funded from the Property Tax?

The Washington State Constitution established basic education as the state’s paramount duty. This duty has been reaffirmed in subsequent statutes and court decisions, which acknowledge that the *state* must provide sufficient aid to local school districts to fund basic education. Currently, almost one-half of the state General Fund budget is spent for public schools.

As mentioned earlier, the state property tax levy is dedicated for public schools and is frequently called the state school levy. The revenues are paid directly into the General Fund, along with all the other tax revenues that go to the General Fund.

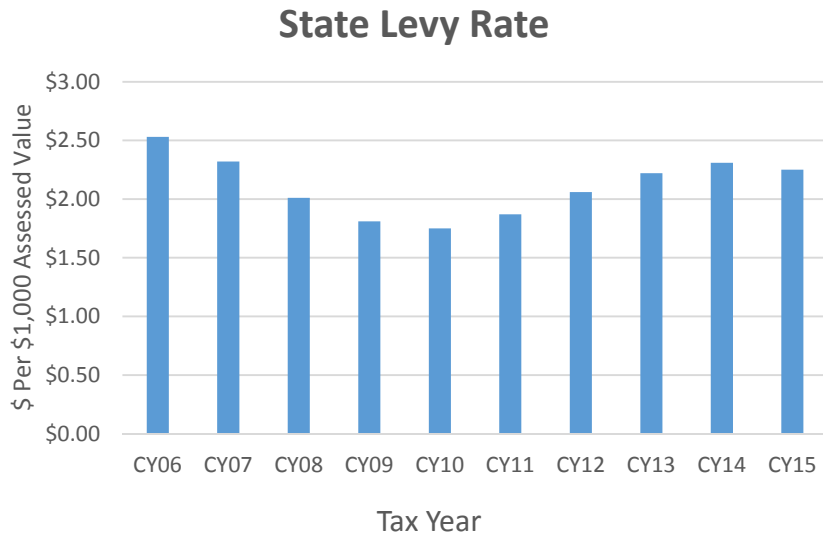
The state school levy provides about a quarter of the money in the General Fund that the state spends on public schools. In addition, revenues from the sales tax, business and occupation tax, real estate excise tax, and other sources support public schools (see the chart on page 4).

The state school levy as we know it today was enacted in 1975. Prior to 1975, property owners paid a *local regular* school levy of \$3.60 per \$1,000. The local regular levy was replaced by the regular state levy and state aid was increased to replace the lost local revenue. Over the following few years, the state moved to fully fund basic education from the state General Fund.

How do Washington State Property Taxes Compare?

This section examines a number of comparative statistics regarding property taxes in Washington State, including comparisons with other states and historical comparisons to examine how property taxes have changed over time. The analysis is accomplished largely through the use of a series of graphic presentations.

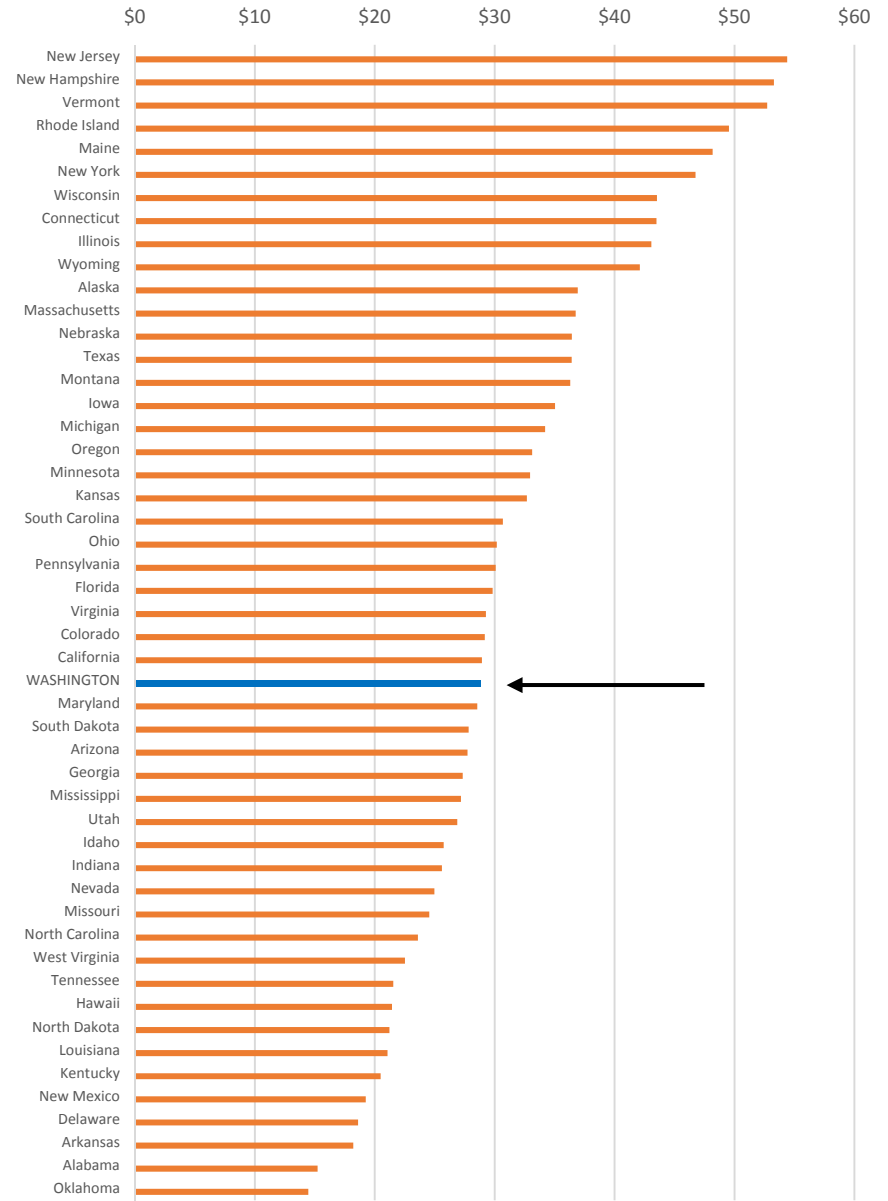
The following chart shows the recent trends of the state property tax rate. The rate is statutorily limited to \$3.60 per \$1,000 of assessed value; however, it does fluctuate from year to year due to the interaction between property values and levy limitations. The rate in 2015 was \$2.14.



Source: Department of Revenue, Property Tax Statistics

The chart on the following page is a comparison among all states of property taxes relative to income. When compared to the other 49 states, state and local property taxes in Washington appear to be about in the middle. The most recent national information is from fiscal year 2013, at which time Washington ranked 34th in property taxes at \$28.84 per \$1,000 of personal income, below the national average of \$32.76.

Property Taxes Per \$1,000 Personal Income
Fiscal Year 2013



Source: Department of Revenue, "Comparative State and Local Taxes 2013"

What Are Some of the Recent Legislative Changes to the Property Tax?

Subjecting federally recognized Indian tribes to the same conditions as state and local governments for property owned exclusively by the tribe (ESHB 1287, Chapter 207, Laws of 2014)

Economic development is recognized as an essential government service for purposes of qualifying tribally owned property for tax-exempt status if the property was owned by the tribe prior to March 1, 2014. A private leasehold interest in tax-exempt tribal property is subject to a leasehold excise tax. A tribe that owns property exempt from tax under state law must make a payment in lieu of taxes if it is used for economic development and there is no leasehold interest in the property.

Including the value of solar, biomass, and geothermal facilities in the property tax levy limit calculation (SHB 1634 -- Chapter 4, Laws of 2014)

The property tax revenue limit for a taxing district is increased by the value resulting from new solar, biomass, and geothermal facilities that generate electricity.

Providing fairness and flexibility in the payment of property taxes (SHB 2309 -- Chapter 13, Laws of 2014)

A requirement that interest and a 3 percent penalty apply to the full-year amount of delinquent property tax, regardless of amounts paid, is modified. These charges will only apply to the unpaid balance. A county treasurer is authorized to accept partial payment of current and delinquent property taxes, including interest and penalties, by electronic bill presentment and payment. A county treasurer is also authorized to waive interest and penalties on delinquent property taxes when a taxpayer paid an incorrect amount due to apparent taxpayer error and the taxpayer pays the delinquent tax within 30 days of receiving notice that taxes are due.

Concerning current use valuation for land primarily used for commercial horticultural purposes (E2SHB 2493 -- Chapter 125, Laws of 2014)

It is clarified that land primarily used to grow horticultural plants in pots does qualify for the current use classification as agricultural and farm land under the open space property tax program, with limitations. Additional limitations are provided with regard to qualification for open

space property tax rates for growing horticultural plants in pots, as follows: the plants cannot be purchased from other growers for retail sale; the land does not qualify if more than 25 percent of land of less than five acres is used for retail sales to the general public; and the paved portion does not qualify if more than 20 percent of land of any size is paved.

Consolidating designated forest lands and open space timber lands for ease of administration (SB 6180 -- Chapter 137, Laws of 2014)

A county legislative authority is authorized to, at its option, merge the county's open space timber program into its designated forest land program by ordinance. Notice requirements are included for both affected landowners and the Department of Revenue. The removal of land from an open space timber land program as a result of a merger is exempt from tax penalties. The minimum size requirement for land to be designated as forest land is lowered from 20 acres to 5 acres, consistent with the size requirement for open space timber land.

Promoting affordable housing in unincorporated areas of rural counties within urban growth areas (E2SSB 6330 -- Chapter 96, Laws of 2014)

Rural counties may offer a property tax exemption for multi-family housing projects within unincorporated urban growth areas. The Joint Legislative Audit and Review Committee must assess the performance of the tax preference with reference to the intent and public policy objective. The property tax exemption for properties located in rural counties expires on January 1, 2020.

Providing greater consistency in how nonprofit tax-exempt property may be used without jeopardizing the property's tax-exempt status (SB 6405 -- Chapter 99, Laws of 2014)

Standardized criteria are established regarding the nonexempt use of tax-exempt property owned by nonprofit organizations.

Exempting levies imposed by qualifying flood control zone districts from certain limitations upon regular property tax levies (HB 1940 -- Chapter 170, Laws of 2015)

A county-wide flood control zone district located in a county with a population of 775,000, or a county-wide flood control zone district located in the Chehalis River Basin, may protect up to \$0.25 of its

property tax levy rate from reduction or elimination under the \$5.90 aggregate rate limit, beginning with taxes levied for collection in 2018.

Concerning property tax exemptions for service-connected disabled veterans and senior citizens (SSB 5186 -- Chapter 30, Laws of 2015, 3rd Special Session)

Income thresholds for property tax relief programs for senior citizens and disabled persons are increased by \$5,000 for taxes due beginning in 2016.

Concerning refunds of property taxes paid as a result of manifest errors in descriptions of property (SSB 5276 -- Chapter 174, Laws of 2015)

County legislative authorities are permitted to issue property tax refunds more than three years after the due date of the payment for taxes paid as a result of manifest errors in the descriptions of property. County legislative authorities are also permitted to authorize a correction of manifest error in a property value assessment or tax roll more than three years after the error is discovered.

Providing a property tax exemption for the value of new construction of industrial/manufacturing facilities in target urban areas (ESB 5761 -- Chapter 9, Laws of 2015, 1st Special Session)

A ten-year property tax exemption is provided on the value of new construction of industrial/manufacturing facilities that create family living wage jobs in certain areas.

Modifying a property tax exemption for property owned by nonprofit fair associations (ESSB 6057 (Part XX) -- Chapter 6, Laws of 2015, 3rd Special Session)

The expiration date for the property tax exemption for real and personal property owned by a qualifying nonprofit fair association and used for fair purposes is removed. Beginning January 1, 2019, if any portion of the exempt property is rented for more than 50 consecutive days during any calendar year, the rental is subject to leasehold excise tax.

Glossary

Class of Property – The term is used in the state Constitution to describe a broad type of property. There are only two classes of property – real property (real estate) and personal property (everything else).

Comparable Sales Approach – A criterion which assessors use in determining the value of a parcel of property. In fact, it is the primary criterion that assessors are required to use in determining value. Assessors look at the dollar value of sales of comparable parcels of property.

Cost Approach – Cost (or replacement cost) is a criterion which assessors may use in determining the value of a parcel of property. In the absence of definitive data on comparable sales, assessors examine the cost, or replacement cost, of the parcel of property.

Current Use Valuation – A method of establishing the assessed value of a parcel of property which allows the assessor to determine value based on the use for which the property is currently utilized rather than the market value. Current use valuation allows an owner to reduce the tax burden on agricultural lands, timberlands, and open space lands. For example, agricultural lands may be valued based on their production, even though the property has a higher market value as commercial property or a housing development.

Equalization – A process by which the state Department of Revenue adjusts the state property tax rate within each county to account for differences in assessment practices between the 39 counties in which the state property tax is levied. Equalization is necessary to ensure that the state property tax is levied uniformly on taxpayers across the state.

Excess (or Special) Levy – Property taxes imposed in excess of the one percent constitutional limit which must be voter approved.

Income Approach – Income is a criterion which assessors may use in determining the value of a parcel of property. In the absence of definitive data on comparable sales, assessors estimate the income potential of a parcel of property and its effect on market value.

Indicated Ratio – The statistical ratio between the average assessed value of property within a county and the actual market value of property within the county. The indicated ratio for each county is determined by the state Department of Revenue on the basis of averages derived from sampling individual parcels within the county. Indicated

ratios are used in equalizing the state property tax levy across the state to ensure uniform taxation.

Junior Districts – Taxing districts which can levy property taxes but which have a lower priority in levying property taxes than counties, cities, and road districts. Junior districts include fire districts, library districts, water districts, park and recreation districts, hospital districts, cemetery districts, flood control districts, and numerous others.

Limit factor - A statutory limit approved by the voters in Referendum 47 defined as 100 percent plus the percentage change in the implicit price deflator for personal consumption (inflation).

One Percent Limit - A constitutional provisions limiting the annual amount of property taxes that may be imposed on an individual parcel of property, without voter approval, to one percent of its true and fair value.

Open Space – Open space lands are lands which conserve natural resources, promote conservation, enhance public value and recreation, preserve visual quality, or have other attributes which are of public value. Such lands are eligible for valuation based on current use rather than market value.

Personal Property – All property, tangible and intangible, which is not real property (real estate), is personal property.

Real Property – Real property consists of land and the buildings, structures, or improvements that are affixed to the land. Real property and real estate are used synonymously.

Regular Levy – Property taxes imposed under the constitutional one percent limit on levies are termed regular levies. Regular levies do not require voter approval.

Split Roll – Taxing one type of property differently than another type. The example most often cited is taxing commercial property differently than residential property.

Tax Shift – Causing one segment of taxpayers' taxes to increase as a result of exempting the value of property of another segment of taxpayers. For example, exempting a portion of residential property may cause taxes on commercial property to increase.

Uniformity Clause – Article 7, section 1 of the state Constitution requires that “[a]ll taxes shall be uniform upon the same class of property within the territorial limits of the authority levying the tax....” Uniformity requires both an equal rate of tax and equality in valuing the

property to be taxed. The Constitution also stipulates that real estate is one class of property.

Valuation – The process used by the assessor to determine the true and fair value, or the assessed value, of property. Another term for valuation is property assessment.

106 Percent Limit – A statutory limit imposed by the Legislature in 1971 (in 1979 for the state levy) that limits annual increases in property tax revenues for a taxing district from regular levies to no more than 106 percent of the highest amount of revenue from any levy in the past three years. (See also **Limit Factor** above.)