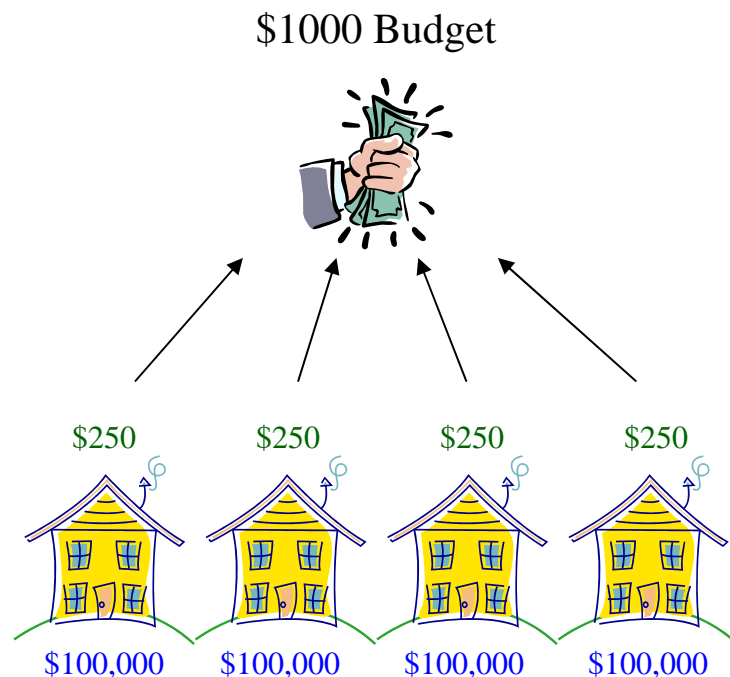


# PROPERTY TAX EXPLANATION

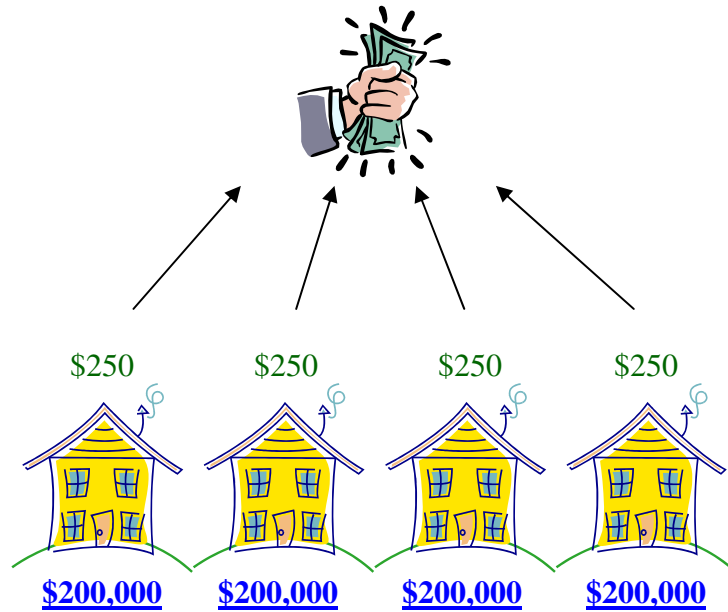
As Clark County Assessor, I've received a number of inquiries that highlight broad misunderstanding of how our property taxes are determined and where limits apply. The best way I know to explain Washington's property tax system is with some simple illustrations.

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 imaginary city is \$1000. To raise the amount of the budget, each homeowner must pay \$250. Four homes each paying \$250 raises \$1000. **Our property tax system is budget based.** We tax enough to raise the amount in the budget. No more.



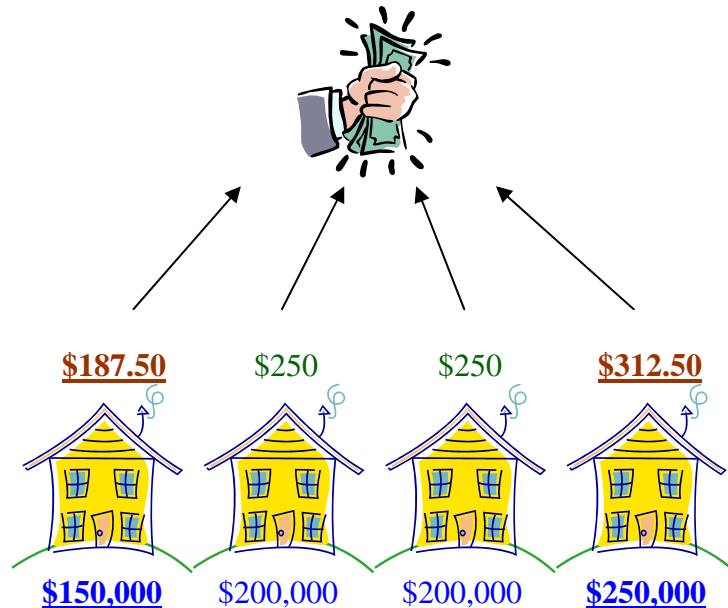
Let's say next year's budget remains at \$1000, but the Assessor doubles the assessed value of all the homes to \$200,000 each. Do the taxes on each of the homes change? No. To raise the **budgeted amount**, each homeowner must still pay \$250. In this example, the assessed value of each home doubled, but the tax didn't change.

## \$1000 Budget



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 \$1000 total to meet the budget.

## \$1000 Budget



But wait. Normally budgets don't stay the same; they go up, right? Back in 2000, Washington State voters approved Initiative 747. I-747 limited annual budget increases to 1 percent unless voters approve a greater increase. In our imaginary city, the \$1000 budget can only increase 1 percent to \$1010 the following year unless the voters who live in the city approve a higher increase. While a Superior Court Judge recently ruled I-747 was unconstitutional, there is a stay of the lower courts ruling keeping the 1 percent limit in place until a higher court can rule.

Our imaginary city gives simple illustrations of our property tax system. In reality, it's not so simple. In Clark County, there are about 160,000 properties (all different from each other), 194 tax code areas, and 42 tax districts. Although each property is in one tax code area, each property is in a number of tax districts because tax districts overlap. The result is that even though we may live right next to each other, we can be in different tax code areas, and our total tax rates differ.

The 42 tax districts in Clark County are comprised of the county, cities, fire districts, emergency service districts, library, and cemetery districts, resulting in 194 tax code areas. Each tax district has an annual budget. To further complicate taxes, some property that crosses county lines, such as railroad property and telephone lines, are assessed by the state. We also assess and tax business personal property. And we process senior and disabled exemptions and farm and agricultural valuation reductions.

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.

Most taxpayers who call my office think there is a limit on increases to assessed values. Not so. **The limit is on the annual budget growth of the tax districts.**

Now let's discuss appraisals. In assessor jargon, Clark County is known as an "Annual County." That means all property is to be adjusted to **fair market value** every year. While we reappraise only 1/6<sup>th</sup> of our county each year, we update the valuation of all property annually. All property is valued based upon the sale of comparable homes in the past year. With our real estate market as active as it is, and with home prices moving up so quickly, we have worked hard in the Assessor's Office to keep up. Many people ask if the real estate market "bubble" bursts and prices begin to decline, will the assessed value decline with it? The answer is yes. We will follow the market.

I hope this discussion helps you understand how our system works.

Sincerely,

Linda Franklin  
Clark County Assessor