

Long-Term Property Tax Trends Vary Widely Among Counties

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Washington voters recently passed Initiative 747, a measure that limits the amount local officials can increase yearly property taxes to 1% without a vote of the people.

To see whether this new reform is working as voters intended, Washington Policy Center completed a statewide survey of all 39 counties and the 22 largest cities. The findings appear in our newest Policy Brief, “Assessing the Effectiveness of Initiative 747 Property Tax Limitation.”

We found that most, though not all, local officials are respecting voters’ wishes by holding the line of property tax increases in 2002. But what about the long-term trend? Reviewing the figures for the last five years, we found that counties vary widely in the level of tax increase they imposed on their residents. Taken together, the cumulative impact of yearly increases can be enormous.

A modest one-year increase in property taxes may go largely unnoticed by taxpayers, but successive tax boosts, compounded year after year, sharply increase the property tax burden. A tax burden subjected to once-common 6% increases, for example, doubles in twelve years, while it takes 70 years to double when yearly increases are limited to 1%. For that reason, the greatest impact of voter-approved tax limitation is seen over time.

The chart on the reverse shows the five-year tax increases imposed by 25 counties exceeded the rate of inflation for the same period, mostly because of large annual increases they enacted in past years. For example, beginning in 1998, Pacific, Stevens

and Whitman counties each imposed a 6% increase every year for three years, but by 2002 they had reduced the rate of increase to 1% or zero. Due to past increases, however, the five-year tax boost in these counties is well over 20%. Inflation over the same period was a little under 9%.

Other counties locked-in a high tax base by first raising taxes sharply, then limiting the rate of increase in subsequent years.

Officials in Adams County increased the regular property tax burden by more than 36% in 1998, and then adopted zero or modest increases in later years. Despite more recent restraint, Adams tops our chart with a five-year increase of almost 42%.

In contrast, counties that consistently limited their annual property tax increases to inflation or less over the five-year period secured a significant level of tax relief for their citizens. Officials in Kittitas and Spokane counties chose zero or very low increases over the years, giving them each a five-year tax-increase level of only 2.77%. Pend Oreille County adopted no increases at all until this year, when officials enacted a 1% rise in collections, and Whatcom County has not increased tax collections at all in five years.

In all, 14 counties limited annual tax increases to inflation or less over five years, and all but one of these counties, Clallam, chose a 1% or lower increase for 2002.

Looking ahead, the new 1% limit will result in a tax cut for many citizens, as a limited tax burden is shared by a widening tax base.