

Improving Tax Disclosure is the Next Step in the State's Transparency Reforms

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According to the Washington State Department of Revenue (DOR), as of 2008 there were 1,790 taxing districts in the state whose officials impose various taxes on Washingtonians. Unfortunately for taxpayers, there is no single comprehensive resource available to help individuals and businesses learn which taxing districts and rates they are subject to, and how much officials in each taxing district add to their total tax burden. A typical home, for example, can be located in as many as ten different taxing districts. The breakdown of the number of taxing districts is shown by the following table from the Department of Revenue:

NUMBER OF TAXING DISTRICTS BY TYPE

2004-2008*

Taxing District	2004	2005	2006	2007	2008
State	1	1	1	1	1
Counties	39	39	39	39	39
Cities and Towns	274	274	274	274	274
Road	39	39	39	39	39
School	296	296	296	296	296
Public Utility	30	30	30	30	30
Library	39	40	40	42	43
Port	76	76	76	76	76
Water	124	124	124	124	124
Fire	393	393	392	391	394
Sewer	38	38	39	39	39
Metropolitan	2	2	2	2	2
Park	3	3	7	8	8
Flood	5	5	5	5	2
Flood Zone	18	18	18	19	20
Hospital	56	56	61	62	61
Airport	2	2	2	2	2
Cemetery	101	102	102	102	103
Mosquito Control	15	15	15	16	16
Park-Recreation	54	54	61	58	58
Emergency Medical	139	139	139	140	140
Irrigation	2	0	0	0	0
Cultural-Arts	1	1	0	0	0
Agricultural Pest	1	1	1	0	0
Apportionment (urban renewal)	2	2	2	2	5
Road Services	1	1	1	1	1
Library (capital improvement)	8	10	10	10	11
Ferry	0	0	0	0	1
Weed	5	5	5	5	5
Total	1,764	1,766	1,781	1,783	1,790
Tax Code Areas	3,224	3,150	3,150	3,150	3,150

*As of January 1, 2007, for taxes due in 2008

Taxation Disclosure Act

To help improve the transparency of state and local taxation, Washington Policy Center (WPC) is proposing the creation of an online searchable database of all tax districts and tax rates in the state. Named the “[Taxation Disclosure Act](#),” the proposal is modeled after last year’s [SB 6818: Promoting transparency in state expenditures](#), which was unanimously adopted by the legislature and signed into law.

If enacted by state officials, the recommendation would set up an online database where citizens could find their state and local tax rates (such as property and sales taxes) by entering their zip code, street address, or by clicking on a map showing individual taxing district boundaries. An online calculator would be provided for educational purposes only, to allow individuals and business owners to estimate their total tax burden and which officials are responsible for which parts of it.

To help facilitate the creation and maintenance of the proposed searchable database of each tax rate for all taxing districts in the state, taxing districts would be required to report their tax rates annually to the state and to report any changes to their tax rates within 30 days of enactment of rate changes.

Department of Revenue Supportive of WPC Proposal

Following the release of the proposed Taxation Disclosure Act, WPC asked DOR for its comments. DOR sent the [following response](#):

“The Department of Revenue considers the web to be a great way to communicate with taxpayers and the public, and it supports the concept of a searchable database of state and local taxes by location. In fact, it already has been moving toward that goal as resources permit. If you go to [\[this site\]](#) you’ll see our progress to date in providing property tax information by address. This site was developed as part of a strategic plan to streamline the apportionment of centrally assessed properties by county, but it also can serve as the foundation for the type of broader tax lookup system you advocate. Currently, the service shows which taxing districts are within the tax code area. The next step would be to link to the levy rates for each of those districts. For example, see [\[this site\]](#) for senior taxing district rates. We also could link to the sales tax rates for the same location using our existing sales tax lookup tool at [\[this site\]](#).”

“It might be more difficult to link to municipal taxes, as local governments have no obligation to report those to us. While we support the concept because it fits within our goal of being as open and transparent as possible, we also must recognize that it would be a significant undertaking to create and maintain such a database. Counties would need to report rates to us in a timely manner, and resources would need to be expended to manage the data and ensure its accuracy. This has to be weighed against other priorities and the usual resource limitations.”

“One challenge is the potential for users to incorrectly calculate their tax liability due to the lag between the time a property is revalued and new property tax rates are set. For example, counties usually send out revaluation notices in the fall, but the rates often aren’t set until the end of the year, and taxpayers don’t get their tax bills based on those new valuations and rates until the following February. If property owners were to get a revaluation notice, and go to an online system to check their rates, they would be incorrectly multiplying new values against old rates. The results would only be accurate once the new rates are posted. This lag is a problem that would need to be addressed in some way, perhaps by providing warning information online.”

To address the concerns raised by the Department of Revenue, lawmakers could choose to move forward with a requirement for taxing districts to report tax rate information to the state on a phased-

in timetable based on the size of the taxing district. This would allow the state to move forward with this reform while providing the smaller taxing districts with more time to comply with the reporting requirements. Any calculator provided should clearly be described as being for educational purposes only.

State Newspapers Comment on Need for Tax Transparency

Along with the Department of Revenue, state newspapers have also commented favorably on the recommendation for more tax transparency. Here are a couple of examples.

Seattle Post-Intelligencer (8/17/08): “The Legislature and the governor recently moved the state into a new era of budget transparency with a law creating a searchable Web site detailing state spending. The state should advance its impressive digital empowerment of the public by giving everyone access to the same type of information about his or her state and local taxes. The Washington Policy Center last week unveiled a proposal to create ‘a tax transparency Web site’ allowing individuals and businesses to figure out just how much they are paying in all local and state taxes. The site would have information not just about state and city tax rates, for example, but also the entire range of rates from other taxing districts, such as school, county, library, fire, transit and other entities. There also would be a calculator allowing individuals to figure their own total state and local tax burdens . . . Like the spending idea, this plan ought to have bipartisan appeal. Whether one tends to think we have too few services or too many taxes, there is broad common ground on the value of accurate information for making good decisions.”

The Olympian (10/2/08): “State lawmakers are fond of talking about openness and transparency in government, but generally come up short when it comes to taking positive legislative action. This year was an exception when the House and Senate passed Senate Bill 6818, which requires the state to make available to the public detailed information about state spending. State officials have until Jan. 1, 2009, to assemble line-by-line state spending data and make it available to the public via a Web site. It’s a great step forward to a more open and transparent government. Now it’s time for lawmakers to shift their focus to the revenue side and give the public the same kind of detailed information about the taxes they pay to support government programs.”

Conclusion

Increasing the ease of public access to state and local tax rates will contribute to governmental accountability, public participation, and the understanding of the cost of government services. Establishing a tax transparency website is consistent with President Obama’s call for a “new age of accountability” in government. Improved tax transparency would also facilitate meaningful tax competition among taxing districts as taxpayers could compare potential tax liabilities based on where they decide to live or locate their businesses.

By creating an online searchable database of all tax rates in the state for each taxing district, policymakers would make taxation more transparent and help citizens learn more about what government decisions mean to their pocket books – helping to remove the mystery surrounding taxation.

Jason Mercier is director of the Center for Government Reform at Washington Policy Center, a non-partisan independent policy research organization in Seattle and Olympia. Nothing here should be construed as an attempt to aid or hinder the passage of any legislation before any legislative body.

Additional Information

[WPC Taxation Disclosure Act Model Language](#)

[Washington Policy Center Proposes Tax Transparency Website](#)