

Property Tax Advisory

Property Tax Advisories are interpretive statements authorized by RCW 34.05.230.

PTA 22.1.2024

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County Road Levy Shifts

Purpose

This Property Tax Advisory (PTA) addresses the requirements and limitations for counties that engage in a road levy shift and includes related post-shift procedures for taxing districts.

This PTA contains examples that generally demonstrate how the requirements and limitations for a road levy shift may operate. These scenarios identify a number of facts and then state conclusions. They are provided only as a general guide. The results of other situations must be determined after a review of all the facts and circumstances.

Background

County governments are authorized to collect both a county general levy and the road levy. The road levy is levied on unincorporated areas of a county, while the county general levy is levied on both incorporated and unincorporated areas of a county.

County governments may engage in what is referred to as a “road levy shift.” A road levy shift allows a county legislative authority to shift some of the levy capacity (the ability to levy a certain amount) from the road levy to the county general levy.¹

A road levy shift can be calculated under one of two methods. The county legislative authority can shift either: (1) a specific dollar *amount* from the road levy to the county general levy *amount*; or (2) a portion of the road levy *rate* to the county general levy *rate*. Both methods are subject to the property tax limitations detailed in this PTA.

¹ See RCW 84.52.043.

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Limitations

While counties may shift funds from the road levy to the county general levy, the two levies:

- (1) Must be certified to the county assessor by the county legislative authority or taxing district's governing authority (i.e., the certified levy amount),²
- (2) Must be authorized by a resolution or ordinance,³
- (3) May not exceed the 1% levy growth limit,⁴
- (4) May not exceed the statutory dollar rate limitation,⁵
- (5) May not exceed the aggregate rate limitation (the \$5.90 limitation),⁶ and
- (6) May not exceed the Constitutional 1% limitation.⁷

These property tax limitations are explained in further detail in the following sections of this PTA.

Limitations 1 & 2: Levy Certification & Resolution or Ordinance Limitations

A district's budget limits the amount that a taxing district may levy. Taxing districts, other than the state, are required to hold a public hearing to discuss revenue sources and potential levy increases.⁸

Levy Certification

Once the levy amount is determined, the county legislative authority must certify the levy amount to the county assessor.⁹

In the case of a road levy shift, after the county legislative authority determines that they want to shift amounts and submits the levy amounts for certification, the county assessor determines whether both the road district (for the road levy) and county (for the county general levy) have sufficient capacity to levy the specified amounts so that a shift may occur.

Ordinance or Resolution

If a levy increase is desired as part of road levy shift, a taxing district must adopt a levy increase by ordinance or resolution, and the ordinance or resolution must state the dollar increase and the percentage change in the levy from the previous year (the "certified levy amount").¹⁰

² RCW 84.52.070.

³ RCW 84.55.120.

⁴ RCW 84.55.010.

⁵ RCW 84.52.043.

⁶ RCW 84.52.043.

⁷ RCW 84.52.050.

⁸ RCW 84.55.120.

⁹ RCW 84.52.070.

¹⁰ RCW 84.55.120.

A county legislative authority that decides to shift amounts must include the following in its ordinance or resolution:

- (1) A levy certification for the road levy that *includes* the funds the county will shift to the county general levy (i.e., the pre-shift amount);
- (2) A levy certification for the county general levy that *does not include* the funds that the county will shift from the road levy (i.e., the pre-shift amount); and
- (3) A statement identifying the amount of funds the county will shift from the road levy to the county general levy.¹¹

Limitation 3: The 1% Levy Growth Limit

The law allows a district to increase their levy by a 101% limit factor (1% levy growth limit). A taxing district's 1% levy limit is generally calculated by multiplying the taxing district's limit factor by the highest amount of regular property taxes that could have been levied since 1985.¹² This figure is added to any additional amounts allowed under RCW 84.55.010(1) ("Levy Limit Add-ons"), such as the value of new construction, improvements to property, newly constructed wind turbines, solar, biomass, and geothermal facilities, increases in state assessed property, and any increase in the value of local tax increment finance areas, multiplied by the district's property tax levy rate in the preceding year.¹³

Limitation 4: Statutory Dollar Rate Limits

The law provides a statutory dollar rate limit.¹⁴ A county general levy is normally limited to \$1.80 per \$1,000 of assessed value (not to exceed \$2.475 per \$1,000 of assessed value), and the road levy is limited to \$2.25 per \$1,000 of assessed value.¹⁵ In the case of a road levy shift, some of the levy capacity of the road levy is shifted to increase the county general levy. The statutory dollar rate limit creates two limitations for a road levy shift as follows:

1. The new county general levy rate cannot exceed \$2.475 per \$1,000 of assessed value; and¹⁶
2. After the shift, the combined rates of the road district and the county general district must be at or below \$4.05 per \$1,000 of assessed value.¹⁷

¹¹ RCW 84.52.070.

¹² See RCW 84.55.005. The limit factor is a statutorily defined figure. Typically, the limit factor is 101%, or less, but depends on the taxing district's population.

¹³ RCW 84.55.092 and 84.55.010(1)(a)-(e); See Chapter 39.114 RCW for impacted tax increment finance areas.

¹⁴ RCW 84.52.043.

¹⁵ RCW 84.52.043.

¹⁶ RCW 84.52.043(1)(c).

¹⁷ RCW 84.52.043(1)(c).

Consequently, should the county legislative authority decide to shift an amount, or if the county general levy rate is increased due to a shift, the road levy rate or levy amount must be decreased in a corresponding amount.

For example, if a road levy shift results in a new county general levy rate of \$2.475 per \$1,000 of assessed value, then the road levy rate cannot exceed \$1.575 per \$1,000 of assessed value to maintain the \$4.05 per \$1,000 of assessed value limit.

**Limitation 5:
Aggregate Rate Limit
(\$5.90 rate limit)**

The total levy rate for most taxing districts within a tax code area cannot exceed \$5.90 per \$1,000 of assessed value.¹⁸ To determine the aggregate rate, taxing districts must add together the new county general levy rate, the new road levy rate, and the rates of other taxing district levies within the county. The aggregate of these levies cannot exceed the \$5.90 per \$1,000 limit.

RCW 84.52.043 states that a road levy shift cannot cause harm to any other taxing district (i.e., another district cannot lose any levying capacity as a result of the shift). If the road levy shift causes the aggregate rate of the combined taxing districts to exceed the \$5.90 limit, then the road levy shift amount or rate must be reduced until the aggregate rate no longer exceeds the \$5.90 limit.¹⁹

**Limitation 6:
Constitutional 1%
Limit**

The Washington constitution imposes a 1% limit on regular tax levies, with the exception of levies for port districts and public utility districts. This limit restricts the amount of property taxes a taxing district may impose without voter approval. The limit is 1% of the parcel's true and fair value ("market value"). This limit equates to a regular property tax levy rate of \$10.00 per \$1,000 of assessed value if the property is assessed at its market value. Similarly, a road levy shift cannot cause harm to any other taxing district under this limitation.

**Post-Shift
Procedures**

Taxing districts seeking to increase the county general or road levies after a road levy shift must adhere to several limitations, as follows:

Calculating the 1% levy growth limit after a road levy shift

In calculating the 1% levy growth limit (Limitation 3), the county general levy and road levy must use the highest amount of property taxes that could have been lawful levied since 1985, multiplied by the limit factor. Accordingly, for the year *after* a road levy shift, this calculation requires use of the *pre*-shift levy amount. This

¹⁸ RCW 84.52.043(2).

¹⁹ If it appears that more than one levy may cause proration to another taxing district, the county assessor will reduce the levies in accordance with RCW 84.52.010.

1% levy growth limit calculation also includes the Levy Limit Add-ons, such as the value of new construction.²⁰

Determining the dollar amount and percentage change from previous year that must be stated in the resolution or ordinance

After the taxing district determines their allowable 1% levy growth limit, the taxing district must enact a resolution or ordinance to authorize the increase. The ordinance or resolution proposing the increase must state the dollar increase and the percentage change in the levy from the previous year. For years *following* a road levy shift, the dollar increase and percentage of increase must use the *post*-shift levy amount as the starting point in describing the amount of the levy increase. Note that any increases for the county general levy, despite using the post-shift amount, are still restricted by its 1% levy growth limit.

Example 1: Road Levy Shift (Amount Shift Method)

*This is how a road levy shift is calculated when the county seeks to shift a specific **dollar amount** from the road levy to the county general levy. In calculating the shift, the county assessor must determine whether the road levy shift may occur by evaluating the impact of the shift under the levy limitations.*

Facts

- In 2024, County X seeks to shift \$250,000 from the road levy district to the county general levy.
- County X has adopted an ordinance or resolution to increase its 1% levy growth limit.

County general levy facts

- The limit factor applicable to the taxing district is 101%.
- The total assessed value (AV) of property in the taxing district is \$930,800,000.

Road levy facts

- The limit factor applicable to the taxing district is 101%.
- The total assessed value (AV) of property in the taxing district is \$867,500,000.

Calculating the Shift and Application of Limits

Step 1: Determine the 1% levy growth limit for each district. (Note: the 1% levy growth limit values are assumed values for the purposes of this scenario).

County General Levy 1% Levy Growth Limit	\$1,480,000
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²⁰ The levy rate applied in calculating the Levy Limit Add-ons is the *post*-shift levy rate or the certified levy rate.

Road Levy 1% Levy Growth Limit \$1,852,000

Step 2: Shift the desired dollar amount from the road levy to the county general levy, which in this case is \$250,000.

Road Levy: $\$1,852,000 - \$250,000 = \$1,602,000$
 County General Levy: $\$1,480,000 + \$250,000 = \$1,730,000$

Step 3: Verify that the combined levy limit for the general county levy and the road levy remain the same.

Under the amount shift method, the combined levy limit amounts for both the road levy and the county general levy after the shift cannot exceed the combined levy limit as calculated for those two districts before the shift.

County Levy Amounts	Before Road Levy Shift	After Road Levy Shift
Road Levy	\$1,852,000	\$1,602,000
County General Levy	<u>\$1,480,000</u>	<u>\$1,730,000</u>
Combined Levy Limit	\$3,332,000	\$3,332,000

Here, the combined levy limit before and after the shift is the same, so the combined levy limit requirement has been met.

Step 4: Calculate the combined levy rate for the county and road districts to determine if it meets the statutory dollar rate limitation.

The combined levy rate for the road levy and county general levy is calculated as follows:

Road Levy: $\$1,602,000 \div \$867,500,000 = \$1.85$ per \$1,000 of AV
 County General Levy: $\$1,730,000 \div \$930,800,000 = \$1.86$ per \$1,000 of AV

County Levy Rates	Before Road Levy Shift	After Road Levy Shift
Road Levy	\$2.13	\$1.85
County General Levy	<u>\$1.59</u>	<u>\$1.86</u>
Combined Levy Limit	\$3.72	\$3.71

The combined levy rate for the county general levy and the road district do not exceed \$4.05, and the county general levy rate does not exceed \$2.475, so the new levy rates meet this requirement.

Step 5: Verify that the new combined rates do not exceed the aggregate levy rate limit for the other districts within the county.

	Before Road Levy Shift	After Road Levy Shift
County General Levy	\$1.59	\$1.86

City	\$3.10	\$3.10
Hospital	\$.48	\$.48
Library	<u>\$.46</u>	<u>\$.46</u>
Total	\$5.63	\$5.90

In checking the aggregate rates for the different districts within the county, as demonstrated above, the total aggregate rate amount after the road shift does not exceed \$5.90. Therefore, the new rate for the county general levy meets the requirement.

Step 6: Ensure that the constitutional 1% rate limitation is met.

This scenario assumes that this limitation has been met.

Example 1: Post-Shift Considerations

If the road district or County X wants to increase their highest lawful levy since 1985 (i.e., their 1% levy growth limit) by the maximum limit factor (which is the lesser of 101% or 100% plus inflation) in the year after the road levy shift, the district seeking an increase must enact an ordinance or resolution.

Step 1: Determine increase to the 1% levy growth limit for each district.

Increases to a district's 1% levy growth limit must be calculated based on the pre-shift levy limit amount.

County General Levy	
Pre-Shift Levy Limit	\$1,480,000
Post-Shift Levy (Certified Levy Amount)	\$1,730,000

County X is entitled to 1% growth, which must be based on its pre-shift levy limit. County X's new levy limit is \$1,494,800 ($\$1,480,000 \times 1.01$).

Road Levy	
Pre-Shift Levy Limit	\$1,852,000
Post-Shift Levy (Certified Levy Amount)	\$1,602,000

The road district is entitled to 1% growth, which must be based on its pre-shift levy limit. The road district's new levy limit is \$1,870,520 ($\$1,852,000 \times 1.01$).

Step 2: Determine the dollar amount and percentage change from previous year that must be stated in the resolution or ordinance.

In drafting a resolution or ordinance to increase the 1% levy growth limit, districts must base both the dollar amount and percentage increases on the post-shift levy amount, or the amount that was actually levied (i.e., the certified levy amount).

County General Levy

County X's maximum 1% growth amount of \$1,494,800 is less than the certified levy or post-shift amount of \$1,730,000. Considering this, the resolution or ordinance should record a \$0 dollar increase and a 0% increase from the previous year.

While the ordinance or resolution may technically reflect no increase in the county general levy, County X must still enact the ordinance or resolution to preserve its allowable 1% increase.

Road Levy

The road district's maximum 1% growth of \$1,870,520 is more than the certified levy or post-shift amount of \$1,602,000. This means that the road district's resolution or ordinance should record a \$268,520 dollar increase and a 16.7615% increase from the previous year.

For transparency purposes, the district may wish to include an additional statement in the resolution or ordinance to explain the increase in the road levy from the prior year by comparing the net dollar amount change and net percent increase for the combined county general levy and county road levy as a whole to show the net increase over the two-year period.

Example 2: Road Levy Shift (Rate Shift Method)

This is how a road levy shift is calculated when the county seeks to shift a portion of its rate from the road levy to the county general levy. This method may only be done if the county general levy's maximum statutory levy limit²¹ has capacity to levy any amount above its \$1.80 statutory dollar rate limit. In calculating the shift, the county assessor must determine whether the road levy shift is authorized by evaluating the impact of the shift under the levy limitations.

Facts

- In 2024, County Y seeks to shift an amount from the road levy district to the county general levy.
- County Y has adopted an ordinance or resolution to increase its 1% levy growth limit and is not part of a local tax increment finance area.

County general levy facts

- The limit factor applicable to the taxing district is 101%.
- The total assessed value (AV) of property in the taxing district is \$1,282,051,282.

Road levy facts

²¹ The maximum statutory levy limit is the amount that a taxing district may levy using the highest allowable statutory dollar rate (e.g., \$2.25 for road districts and \$1.80 for counties)

- The limit factor applicable to the taxing district is 101%.
- The total assessed value (AV) of property in the taxing district is \$875,000,000.

Calculating the Shift and Application of Limits

Step 1: Determine the 1% levy growth limit for each district. (Note: the 1% levy growth limit values are assumed value for the purposes of this scenario).

County General Levy 1% Levy Growth Limit	\$2,500,000
Road Levy 1% Levy Growth Limit	\$1,968,750

Step 2: Calculate whether the districts have additional levy capacity above their maximum statutory levy limit.

The county general levy's maximum statutory levy limit is \$2,307,692 (\$1,282,051,282 x \$1.80), which means the county general levy has additional levy capacity of \$192,308 (\$2,500,000 – \$2,307,692) above its maximum statutory levy limit. As the county's maximum statutory levy limit is less than the calculated 1% levy growth limit, the county may levy up to its 1% levy growth limit of \$2,500,000.

The road levy's maximum statutory levy limit is \$1,968,750 (\$875,000,000 x \$2.25), which is the same amount as its current 1% levy growth limit. As the road district does not have capacity to levy additional amounts, it must use its maximum statutory levy limit amount of \$1,968,750.

In this case, because the road district is levying up to its maximum statutory levy limit (i.e., the road district is levying at its maximum statutory dollar rate of \$2.25), the county may shift a portion of the road district's levy rate so that the county may levy up to its full levy capacity (i.e., the 1% levy growth limit of \$2,500,000).

Step 3: Shift the appropriate rate amount from the road levy to the county general levy.

In this case, the county legislative authority may only shift a rate amount of \$0.15 from the road levy to the county general levy because any more of a rate shift would result in the county general levy exceeding its 1% levy growth limit. The county general levy will have a new statutory dollar rate of \$1.95 (\$1.80 + \$0.15) so that it may levy up to its full levy capacity of \$2,500,000 (\$1,282,051,282 x \$1.95). The road levy must also reduce its rate by a corresponding amount. The road levy will have a new statutory dollar rate of \$2.10 (\$2.25 - \$0.15) and must levy \$1,837,500 (\$875,000,000 x \$2.10).

Step 4: Determine the combined levy limit for the general county levy and the road levy.

*Unlike a road levy shift using the dollar amount shift method, the combined levy amount after using the rate shift method **can** exceed the combined levy amount before the shift.*

County Levy Amounts	Before Road Levy Shift	After Road Levy Shift
County General Levy	\$2,307,692	\$2,500,000
Road Levy	<u>\$1,968,750</u>	<u>\$1,837,500</u>
Combined Levy Limit	\$4,276,442	\$4,337,500

Step 5: Determine that the new combined rates meet the statutory rate dollar limitations for the county and road districts.

County Levy Rates	Before Road Levy Shift	After Road Levy Shift
County General Levy	\$1.80	\$1.95
Road Levy	<u>\$2.25</u>	<u>\$2.10</u>
Combined Levy Limit	4.05	\$4.05

The combined levy rate for the county general levy and the road district does not exceed \$4.05, and the county general levy rate does not exceed \$2.475, so the new combined rates meet this requirement.

Step 6: Verify that the new combined rates do not exceed the aggregate levy rate requirements for the other districts within the county.

Both the amount shift and rate shift methods require that the aggregate rate amounts for other taxing districts cannot exceed \$5.90. This scenario using the rate shift method assumes that the aggregate rate requirement has been met.

Step 7: Ensure that the constitutional 1% rate limitation is met.

This scenario assumes that this limitation has been met.

The post-shift considerations for this method are the same as for the amount shift method.

Note: RCW 84.52.043 permits counties to increase their statutory levy rate of \$1.80 up to \$2.475, so long as the statutory levy rates for both the county general levy and any road district within the county do not exceed \$4.05, and no other district's levy capacity is reduced as a result. Therefore, a county with sufficient levy capacity can increase its county general levy statutory levy rate above \$1.80 without shifting a corresponding rate amount in the road district levy.

