

**IMPORTANT POINTS TO REMEMBER:**

1. **Regular Taxing Districts** usually establish the amount of the levy they **WANT** or **NEED**.  
Not the rate (which is calculated by the Assessor).  
Not the amount to which they are lawfully entitled (which is calculated by the Assessor).
2. **Changes in Tax Rates and Values** alone cannot explain changes in taxes.  
**Property Taxes** can increase or decrease independently of Value Changes  
**Property Tax Rates** can increase or decrease, independently of Value changes  
**Property Tax Rates are calculated** by the Assessor by dividing  
    Lawful Levies of taxes to be collected by  
    The Total Assessed Value of the Levying District.  
Generally, an Increase in value, decrease Tax Rates.  
Generally, a Decrease in value, increase Tax Rates.
3. **Assessed Value may be less than Market Value, Never More.**  
**Assessed Value and Market Value are usually the same.**
4. **Refunds are not Property Tax INCREASES or DECREASES but are TAX SHIFTS.**  
Taxes that are refunded, either administratively or by court order  
    shift a tax from the taxpayer getting the refund to  
    all other taxpayers who were not entitled to the refund,  
    resulting in a minuscule increase for each them in order  
    to cover the amount of the total refund.
5. **Exemptions are not Property Tax REDUCTIONS or INCREASES but are TAX SHIFTS**  
Taxes that are exempted  
    shift a tax from the taxpayer getting the exemption to  
    all other taxpayers who were not entitled to the exemption,  
    resulting in a minuscule increase for each them in order  
    to cover the amount of the total exemption.
6. **Taxes will increase** an average of 1% per year for each **REGULAR DISTRICT**  
Taxes payable by a taxpayer to each **REGULAR DISTRICT** will average about 1%  
more each year, even though their total taxes may increase or decrease  
by a substantially different percentage.
7. **Taxes will increase** when new levies are voted into existence  
**Taxes will decrease** when voted levies expire.
8. **Property Tax Rates in Washington State** are always expressed in dollars of property tax  
per thousand dollars of assessed value.
9. **The Island County Assessor** carries Property Tax Rates ten places to the right of the decimal.
10. There are valid components to the calculation of levies and levy rates that must be considered  
    that have not been addressed in this example.

The Calculations, statutory rate, and assessments used in this example are completely fictional  
and for demonstrating methodology only.

The worksheets in this workbook are protected, but require no Password to unprotect.

SIMPLIFIED EXPLANATION OF  
HOW REGULAR PROPERTY TAX RATES  
ARE CALCULATED AND APPLIED

HYPOTHETICAL TAXING DISTRICT			
FIRST YEAR CALCULATION	TAX YEAR NUMBER 1		This example demonstrates how levy rates are calculated and taxes are assigned to taxpayers using a hypothetical taxing district containing only two properties and two property owners.
	LEVY	Statutory Rate: 2.50 /\$1K	
	VALUES		
	Taxpayer 1	50,000.00	TAXES
	Taxpayer 2	50,000.00	50.00
		<u>100,000.00</u>	<u>50.00</u>
			<u>100.00</u>
	TAX RATE	100.00	
	CALCULATION	<u>100,000.00</u>	
		1.00 /\$1K	TAX RATE
NO VALUE CHANGE	TAX YEAR NUMBER 2		This example represents the second year with only 1% increase to cover inflation. NO CHANGE IN ASSESSED VALUE and no new construction.
	LEVY	Statutory Rate: 2.50 /\$1K	
	VALUES		
	Taxpayer 1	50,000.00	TAXES
	Taxpayer 2	50,000.00	50.50
		<u>100,000.00</u>	<u>50.50</u>
			<u>101.00</u>
	TAX RATE	101.00	
	CALCULATION	<u>100,000.00</u>	
		1.01 /\$1K	TAX RATE
VALUES INCREASE UNIFORMLY	TAX YEAR NUMBER 2		The second year with a simple 1% increase in the levy and a large but UNIFORM INCREASE in assessed values. Still no new construction. Note the same tax is collected, and taxpayers pay the same tax.
	LEVY	Statutory Rate: 2.50 /\$1K	
	VALUES		
	Taxpayer 1	100,000.00	TAXES
	Taxpayer 2	100,000.00	50.50
		<u>200,000.00</u>	<u>50.50</u>
			<u>101.00</u>
	TAX RATE	101.00	
	CALCULATION	<u>200,000.00</u>	
		0.51 /\$1K	TAX RATE

Value changes and statutory rates have been exaggerated and do not reflect reality. For Illustration Purposes Only.

SIMPLIFIED EXPLANATION OF  
HOW REGULAR PROPERTY TAX RATES  
ARE CALCULATED AND APPLIED

VALUES INCREASE UNEVENLY

HYPOTHETICAL TAXING DISTRICT

TAX YEAR NUMBER 2

LEVY	<b>101.00</b>
<b>VALUES</b>	
Taxpayer 1	80,000.00
Taxpayer 2	120,000.00
	<b>200,000.00</b>
TAX RATE CALCULATION	<b>101.00</b> <b>200,000.00</b>

Statutory Rate:

**2.50 /\$1K**

The second year with a simple 1% increase in the levy and a large but **NON-UNIFORM INCREASE** in assessed values. Still no new construction. Note the same tax is collected, but taxpayers are affected differently.

VALUES DECREASE UNIFORMLY

HYPOTHETICAL TAXING DISTRICT

TAX YEAR NUMBER 2

LEVY	<b>101.00</b>
<b>VALUES</b>	
Taxpayer 1	40,000.00
Taxpayer 2	40,000.00
	<b>80,000.00</b>
LEVY CALCULATION	<b>101.00</b> <b>80,000.00</b>

Statutory Rate:

**2.50 /\$1K**

The second year with a simple 1% increase in the levy and a large but **UNIFORM DECREASE** in assessed values. Still no new construction. Note the same tax is collected, and taxpayers pay the same tax.

VALUES DECREASE UNEVENLY

HYPOTHETICAL TAXING DISTRICT

TAX YEAR NUMBER 2

LEVY	<b>101.00</b>
<b>VALUES</b>	
Taxpayer 1	20,000.00
Taxpayer 2	30,000.00
	<b>50,000.00</b>
TAX RATE CALCULATION	<b>101.00</b> <b>50,000.00</b>

Statutory Rate rate:

**2.50 /\$1K**

The second year with a simple 1% increase in the levy and a large but **NON-UNIFORM DECREASE** in assessed values. Still no new construction. Note the same tax is collected, but taxpayers are affected differently.

Value changes and statutory rates have been exaggerated and do not reflect reality. For Illustration Purposes Only.

SIMPLIFIED EXPLANATION OF  
HOW REGULAR PROPERTY TAX RATES  
ARE CALCULATED AND APPLIED

When is the Statutory Rate Chosen?

**HYPOTHETICAL TAXING DISTRICT**

**TAX YEAR NUMBER 2**

LEVY	101.00
<b>VALUES</b>	
Taxpayer 1	20,000.00
Taxpayer 2	20,000.00
	<u>40,000.00</u>
<b>TAX RATE</b>	<u>101.00</u>
<b>CALCULATION</b>	<u>40,000.00</u>

Statutory Rate:

2.50 /\$1K	50.00
2.50 /\$1K	50.00
	<u>100.00</u>

2.53 /\$1K

TAX RATE

2.50 /\$1K

TAXES

50.00

50.00

100.00

The second year with a simple 1% increase in the levy + **A LARGE NON-UNIFORM DECREASE** in assessed values. Still no new construction. Note: **LESS TAX is collected and taxpayers pay less**, because the decreases in value caused the rate exceed the statutory maximum.

What About New Construction?

**HYPOTHETICAL TAXING DISTRICT**

**TAX YEAR NUMBER 2**

LEVY	101.00
New Constr:	1.00
Total Levy	<u>102.00</u>
<b>VALUES</b>	
Taxpayer 1	50,000.00
Taxpayer 1's NC	1,000.00
Taxpayer 2	50,000.00
	<u>101,000.00</u>
<b>TAX RATE</b>	<u>102.00</u>
<b>CALCULATION</b>	<u>101,000.00</u>

Statutory Rate:

2.50 /\$1K

Even though included in the total calculation, New Construction increases taxes only for those who had new construction.

TAXES

50.50

1.01

51.50

50.50

102.00

1.01 /\$1K

TAX RATE

Note that NEW CONSTRUCTION, although calculated into the tax rate, only affects those who had new construction. Taxpayer 1 takes on that greater share of the taxburden as he now has a greater proportion of the value..

Value changes and statutory rates have been exaggerated and do not reflect reality. For Illustration Purposes Only.