

# 2018 Washington State Education Tax Changes



## INFORMATION FOR PROPERTY OWNERS IN HOCKINSON SCHOOL DISTRICT

As property tax bills and assessments arrive in mailboxes this week (February 2018), you will probably notice they include new tax rates related to schools, particularly at the state level. As your school district, we want to provide you with some information about these changes.

Washington State’s education-related tax plan underwent a transformational overhaul in 2017, as the Legislature addressed the state’s constitutional duty to fund K-12 basic education.

These changes affect:

- property taxes paid to the state
- voter-approved property taxes paid to school districts
- state funding for most school districts

Impacts of these changes will vary from district to district. They also will vary from property owner to property owner, depending on increases and decreases in the assessed value of each taxpayer’s property.

Like other districts across the state, Hockinson is still working to determine exactly how these changes will affect our budget, but we are sharing what we understand to date.

### 2018: THE TRANSITION YEAR

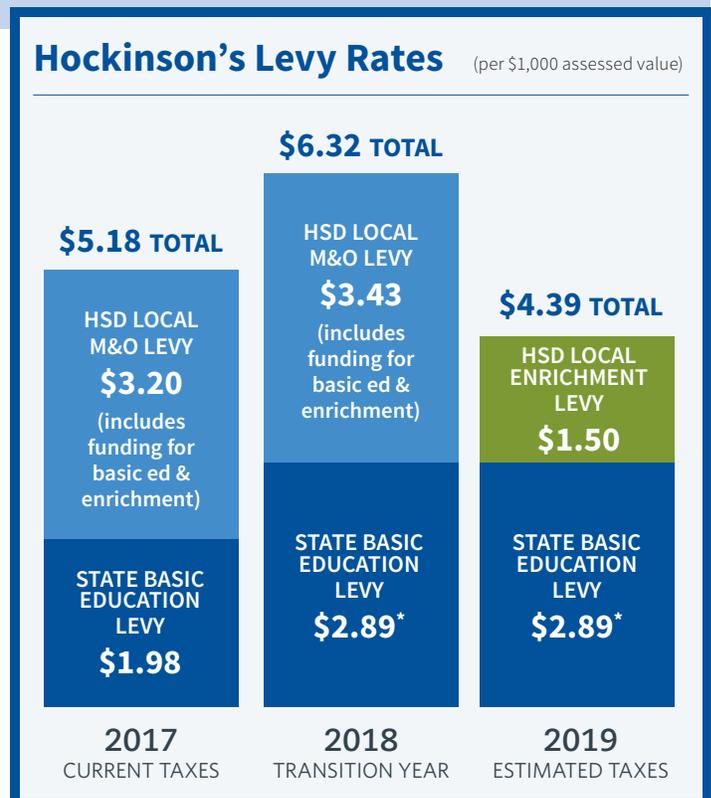
In 2018, the state will implement a “levy swap” that will cause a temporary one-year tax rate increase. The bump will occur in 2018, because existing voter-approved Maintenance and Operations (M&O) levies will remain in effect in local school districts, while the state implements an increased state schools levy rate.

The chart on the right shows how the tax rates will change from 2017 to 2019 in Hockinson School District. (Please note: Chart does not include construction bonds.)

As you can see in the chart, in 2019 tax rates will decrease, because school district M&O levies—now known as “enrichment levies”—will be limited to \$1.50 per \$1,000 of assessed value.

This change will not affect voter-approved school bonds.

\*NOTE: The new state public schools tax levy rate for 2018 through 2021 is \$2.70 per \$1,000 of assessed fair market value. However, the rate that will appear on Clark County’s 2018 tax bill will likely be \$2.89 per \$1,000 of assessed value, based on Clark County property valuations. Rates vary by county, because the state applies a ratio percentage to each county’s certified fair market values.



## TOTAL LEVY TAXES

The tax rate for schools is expected to be lower in 2019 than it was in 2017 because of levy funding changes. However, the total cost of taxes for many property owners could be higher in 2019. This is due to increases in property values, which lead to increased assessed values.

To calculate total school taxes owed annually, the assessor uses the following formula:

### Assessed Home Value / 1,000 x Total Levy Rate

Here are three examples of how the new property tax model could affect the owner of a Hockinson property assessed at \$350,000 in 2017. Please note that future taxes are only estimates.

#### EXAMPLE 1: 3% increase in property values

TAX YEAR	2017	2018	2019
ASSESSED HOME VALUE	\$350,000	\$360,500	\$371,315
TOTAL LEVY TAX RATE	5.18/\$1K	6.32/\$1K	4.39/\$1K
STATE LEVY TAXES	\$693	\$1,042	\$1,073
LOCAL LEVY TAXES	\$1,120	\$1,237	\$557
TOTAL TAXES	\$1,813	\$2,278	\$1,630

#### EXAMPLE 2: 5% increase in property values

TAX YEAR	2017	2018	2019
ASSESSED HOME VALUE	\$350,000	\$367,500	\$385,875
TOTAL LEVY TAX RATE	5.18	6.32/\$1K	4.39/\$1K
STATE LEVY TAXES	\$693	\$1,062	\$1,115
LOCAL LEVY TAXES	\$1,120	\$1,261	\$579
TOTAL TAXES	\$1,813	\$2,323	\$1,694

#### EXAMPLE 3: 10% increase in property values

TAX YEAR	2017	2018	2019
ASSESSED HOME VALUE	\$350,000	\$385,000	\$423,500
TOTAL LEVY TAX RATE	5.18/\$1K	6.32/\$1K	4.39/\$1K
STATE LEVY TAXES	\$693	\$1,113	\$1,224
LOCAL LEVY TAXES	\$1,120	\$1,321	\$635
TOTAL TAXES	\$1,813	\$2,433	\$1,859

If you have questions about your property's assessed value, or other questions regarding assessments, please [contact the Clark County Assessor's Office](#).

Please visit the [Washington Department of Revenue website](#) to learn more about the state property tax to support public schools.

## HOW THE STATE FUNDS SCHOOL DISTRICTS

Education funding is a complicated process, but two basic components of Washington State’s funding model include financial allocations made per student and per staff member.

The funding changes made in the 2017 legislative session have increased the amount of money the state is investing in education. However, there is a growing number of students to teach and an increasing number of staff members required to meet student needs—due to our state’s growing population and to state mandates calling for smaller class sizes, particularly in the younger grades. Additionally, there are increasing costs to cover compensation, cost of living increases and medical benefits for staff.

### VIDEO EXPLANATION

State Superintendent Chris Reykdahl recently released a video ([https://www.youtube.com/watch?v=Hk-Fn5M1\\_Fs](https://www.youtube.com/watch?v=Hk-Fn5M1_Fs)) explaining the new state schools levy and the resulting “levy cliff.” His office has recently requested the Legislature consider two bills—SB 6362 (<http://app.leg.wa.gov/billsummary?BillNumber=6362&Chamber=Senate&Year=2017>) and HB 2721 (<http://app.leg.wa.gov/billsummary?BillNumber=2721&Chamber=House&Year=2017>)—in an effort to address concerns raised due to the \$1.50 enrichment levy cap.

## QUESTIONS & ANSWERS

### 1. Q: What is happening to Hockinson School District’s current M&O Levy?

A: The tax rate for Hockinson’s voter-approved Levy for School Programs, Maintenance & Operations will drop from \$3.43 in 2018 to the new state cap of \$1.50 in 2019.

### 2. Q: What prompted the transformational change to education funding in Washington State?

A: Legislators made these changes in an effort to comply with the Washington State Supreme Court’s decision in the McCleary lawsuit, which said the state was not fulfilling its constitutional duty to fully fund basic education. Basically, the goal of the new funding strategy is to end school districts’ practice of using local property tax levies to compensate teachers, specialists and support staff—something the state considers basic education.

### 3. Q: Why has Hockinson been using local levies for compensation?

A: The state funding allocation does not adequately compensate some positions. It also does not take into account the number of staff needed by specific districts. This has created a discrepancy between districts and over the years has passed the burden of paying for salary increases to local districts.

In Hockinson, our local levy funds 24 staff members, plus it enables the district to offer our staff competitive wages. Under the new funding model, Hockinson will need to use enrichment levy funding to supplement the state compensation—to provide basic education for our students.

### 4. Q: What is the “levy swap”?

A: The state’s transformational school funding changes include a “levy swap.” Here’s how it works:

In an effort to comply with the McCleary decision, the state has established a budget to fund basic education. The state Legislature put a cap on how much individual school districts can levy property owners and beginning in 2019 will allow districts to collect up to \$1.50 per \$1,000 assessed value in property taxes to fund “enrichment activities.”

Meanwhile, they increased the state schools tax rate from \$1.98 to \$2.89 (for Clark County) per \$1,000 assessed value, beginning in 2018.

With the state schools tax rate increasing before the local schools tax rate decreases, 2018 has become a transition year in which school tax rates will temporarily rise before decreasing in 2019.

**5. Q: Does this mean I'll pay less in taxes in 2019?**

A: Possibly, but the answer depends on what happens with assessed values—set by the county assessor's office for individual properties—as well as the assessed value of the school district as a whole.

**6. Q: Was the state schools tax rate a voter-approved tax increase?**

A: No. The Washington State Legislature passed Engrossed House Bill 2242, which created this new levy for the entire state. You can read the bill here: <https://app.leg.wa.gov/bills/summary?BillNumber=2242&Year=2017>.

**7. Q: Does this mean Hockinson School District will receive more state funding?**

A: The 91-cent state levy increase in 2018 does not result in a direct 91-cent increase for school districts, because the money is distributed through the state. In fact, when local levies are capped at \$1.50 starting in 2019, many districts, including Hockinson, are projecting a negative impact to their budgets.

**8. Q: What is an enrichment levy?**

A: An enrichment levy, which used to be part of the Maintenance & Operations (M&O) Levy, provides the district with the ability to enhance its educational program with items including extracurricular activities, athletics, health, safety and security staffing, special education and professional development.

**9. Q: Does this change affect the Hockinson School District construction bond?**

A: No. The construction bond is expected to cost \$2.20 in 2018 and a little less than that in 2019.

**10. Q: Does this tax rate change impact low-income senior citizens?**

A: No, this change does not affect senior citizens and the disabled who are already qualified for tax exemptions. For more information, please visit the Clark County Assessor's website at <https://www.clark.wa.gov/assessor/property-tax-exemption-senior-citizensdisabled-persons>.

**11. Q: What does all of this mean for Hockinson property tax payers?**

A: In Hockinson, the total levy rate—state plus local—has increased for 2018. The total levy rate will decrease in 2019, but what that means for the levy amount paid by individual property owners will differ according to their assessed value.

**Additional questions?**

If you have additional questions about how the levy changes impact Hockinson School District, please contact our superintendent, [sandra.yager@hocksd.org](mailto:sandra.yager@hocksd.org), or our finance director, [michelle.scott@hocksd.org](mailto:michelle.scott@hocksd.org). We will find the answers and add information to this page as needed.

If you have questions about the state levy legislation, please contact your state senator or representatives. You can find them here: <http://app.leg.wa.gov/DistrictFinder/>.