

Facts and Myths about Property Taxes

Council Meeting, November 7, 2007

Presented by Yvonne Ziomkowski, Finance Director

Property Taxes

Topics:

- What is property tax?
- How does property tax work?
- Facts about property taxes.
- 2008 proposed levy.
- Trends .

What is Property Tax?

- Property Tax is a tax on real and personal property



Real Property Includes:

- Land
- Buildings
- Improvements attached to the land



Personal Property Includes:

- Machinery and equipment (used in business)
- Furniture and fixtures in commercial use
- Supplies and materials that are not for sale
- Leased equipment and some leasehold improvements

What property is not taxable?

- Property owned by federal, state, and local governments
- Church-owned property used for church purposes
- Low income housing owned by public corporations (e.g. Housing Authorities)
- Privately owned schools and colleges
- Personal property owned by individuals, such as vehicles, stocks, bonds, and household goods.

What is Property Tax Levy?

- A property tax levy is the amount a taxing jurisdiction (City) collects from its property owners to pay for the general cost of government



There are two different levies a jurisdiction may impose:

- Regular levy
- Excess levy (approved by voters)



Regular Levy

- Pays for routine city expenses, such as Fire, Police, Parks, etc.



Limitations

- Cannot exceed maximum of 101%
 - The 1% increase requires Council approval
 - Voters may override the 1% limit (levy lid lift)

and

- The City's maximum rate of levy is \$3.10 per \$1,000 assessed valuation (AV)

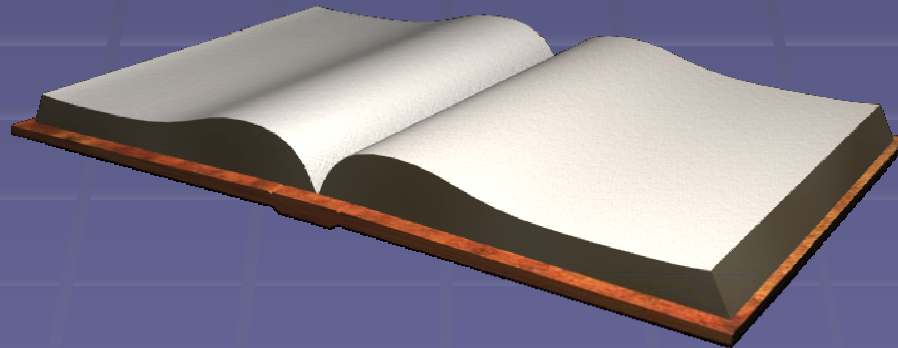
Other Limitations...

Total of all regular property taxes for all taxing districts:

- \$10 per \$1,000 of AV

Excess Levy

Amount of money to pay off debt service on bonds approved by voters, e.g. Senior Center, Library, Fire Hall.



Where Do Property Taxes Go?

Myth #1:

- City of PA receives all property tax dollars that are paid by a property owner located within the city limits

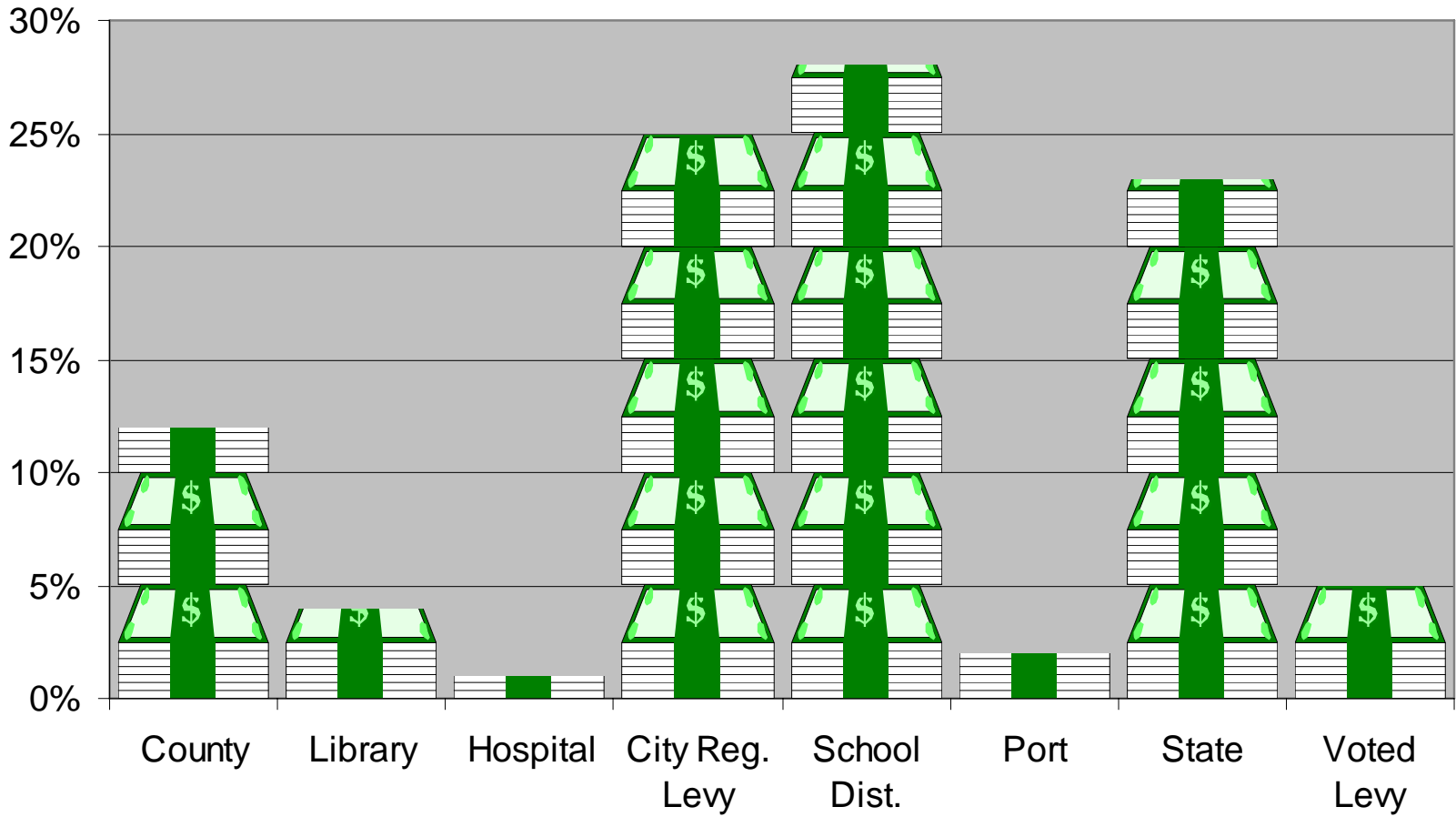
Fact:

- Less than 25% of total property taxes paid are collected by the City of PA as a regular levy

and

- 4% of property taxes go to pay voted bonds on Senior Center, Library, and Fire Hall

Where do the property taxes paid by City residents go?



In 2007, City property owners paid \$9.712 per \$1,000 AV to all taxing districts.

**This is \$1,942 on
\$200,000 house**



How Much Comes to the City?

- In 2007, the City received \$ 2.387 per \$1,000 AV of regular property taxes,

and

- \$0.426 per \$1,000 for the excess levy

**Total \$562 on a
\$200,000 house**



Property Taxes paid by a typical resident on an average priced home 2005-2007

	2005	2006	2007	Inc.(Decr.) 2005-2007
Average Home	150,000	175,642	201,988	35%
Taxing Jurisdiction				
School District	531	607	541	2%
City of Port Angeles	549	587	568	3%
State	425	467	495	16%
Clallam County	226	235	233	3%
Library	66	68	68	3%
Port	33	34	34	3%
Hospital	23	23	23	2%
Total property taxes paid	1,853	2,022	1,962	6%

Myth #2:

As property values rise, the City receives more property tax revenue.

Fact:

The amount of property tax revenue a City receives does not depend on property value.

Amount of Property Taxes Depends on Four Factors:

1. City Council: Council sets the amount for taxes within the 1% limit
2. Voters: Amount approved by voters for bonds and/or levy lid lift (over 1% limit)
3. New construction: the value of new construction as it is placed on the tax roll
4. Annexation: when it is added to the tax roll, the City receives revenue from the added area

How is the amount of Property Tax Allocated to Individuals?

- City has no control over how property taxes will be allocated to individual properties
- Amount of property tax is allocated based on an individual's share of assessed valuation (AV)
- An individual's share of property tax is calculated by dividing individual AV by citywide AV
- AV is established by the Clallam County Assessor's Office

How does this Work?

$$\frac{\text{Individual AV}}{\text{Citywide AV}} \times \text{Levy amount} = \text{Individual property tax bill}$$

% of individual's
share of AV



How Property Tax Rate is Calculated?

$$\frac{\text{Levy amount}}{\text{Total AV}/\$1,000} = \text{Rate per } \$1,000 \text{ of AV}$$

$$\text{Tax Rate} \times \text{Individual AV}/\$1,000 = \text{Individual property tax bill}$$

Myth #3:

If the City Council approves a 1% increase in property taxes, then an individual's property tax bill should increase also by 1%

Fact:

An individual property tax bill does not rise in the same proportion as an increase in the levy amount

An individual property tax bill is a function of two components:

- Change in assessed valuation *relative* to all other properties
- The amount of property tax levy

How Does New Construction Affect Property Tax Collections?

Myth #4:

New construction generates a significant amount of property taxes for the City.

Fact:

New construction generates only a small amount of the total property tax dollars.

**In 2008, for every \$1 million in new construction
the City receives \$2,390**

Property Tax Levy Calculation

For 2008

Preliminary!

Regular Levy Calculation

2007 levy \$3,809,176

+

Add 1% (maximum allowable by Initiative 747)
\$38,092

+

Add new construction (estimated to be \$10 million @ \$2.39
per \$1,000) \$23,874

=

This amount is
Included in the
Preliminary Budget

Estimated
2008 Levy \$3,871,142

Last week's change...

Maximum allowable amount:

2007 total levy \$3,809,177

less

Refund levy \$38,638

→ We didn't know

=

\$3,770,539

Maximum allowable amount
for 1% increase

Regular Levy Calculation

2007 allowable levy \$3,770,539

+

Add 1% (maximum allowable by Initiative 747)
\$37,705

+

*Add new construction (estimated to be \$10 million @ \$2.39
per \$1,000) \$23,874*

=

**Estimated
2008 Levy \$3,832,118**

This is \$39,024 less than in the
City's Preliminary Budget!

And...

2008 levy without new construction is **less** than amount of taxes received in 2007

Even with the 1% growth in the levy amount.

Amount of taxes received in 2007

\$3,809,177

Amount of taxes estimated for 2008
without new construction

\$3,808,244

Rate Calculation (based on lower amount)

What is the Assessed Valuation for the 2008 Levy?

- **Preliminary** assessment for 2008 levy is \$1,900,493,428 and includes:
 - \$295,000,000 increase in AV based on physical evaluation, and
 - \$10,000,000 – new construction

Tax Rate Calculation

Preliminary Amount
\$3,832,118

/

Estimated Assessed Valuation
\$1,900,493,428

=

**Rate is 16% less
than in 2007 and
28% less than in
2006**

**\$2.016 per
\$1,000 AV**

**This is the lowest
rate in 23 years!**

Excess Levies

\$667,312

- **Library Bond \$277,200 or \$0.16 per \$1,000 AV or \$14.58 per capita**
- **Senior Center and Fire Hall Bonds \$390,112 or \$0.23 per \$1,000 AV. Sr. Center portion is approx. \$12 per capita.**

All Property Taxes

Regular Levy

\$3,832,118

Rate \$2.02 per \$1,000

+

Special Levy

\$667,312

Rate \$0.39 per \$1,000

=

Total levy \$4,499,430
rate \$2.41 per \$1,000 AV

How Does This Compare to 2006 and 2007 Rates?

2006:

Rate \$3.34
Per \$1,000 AV

2008 est.
Rate \$2.41
Per \$1,000 AV

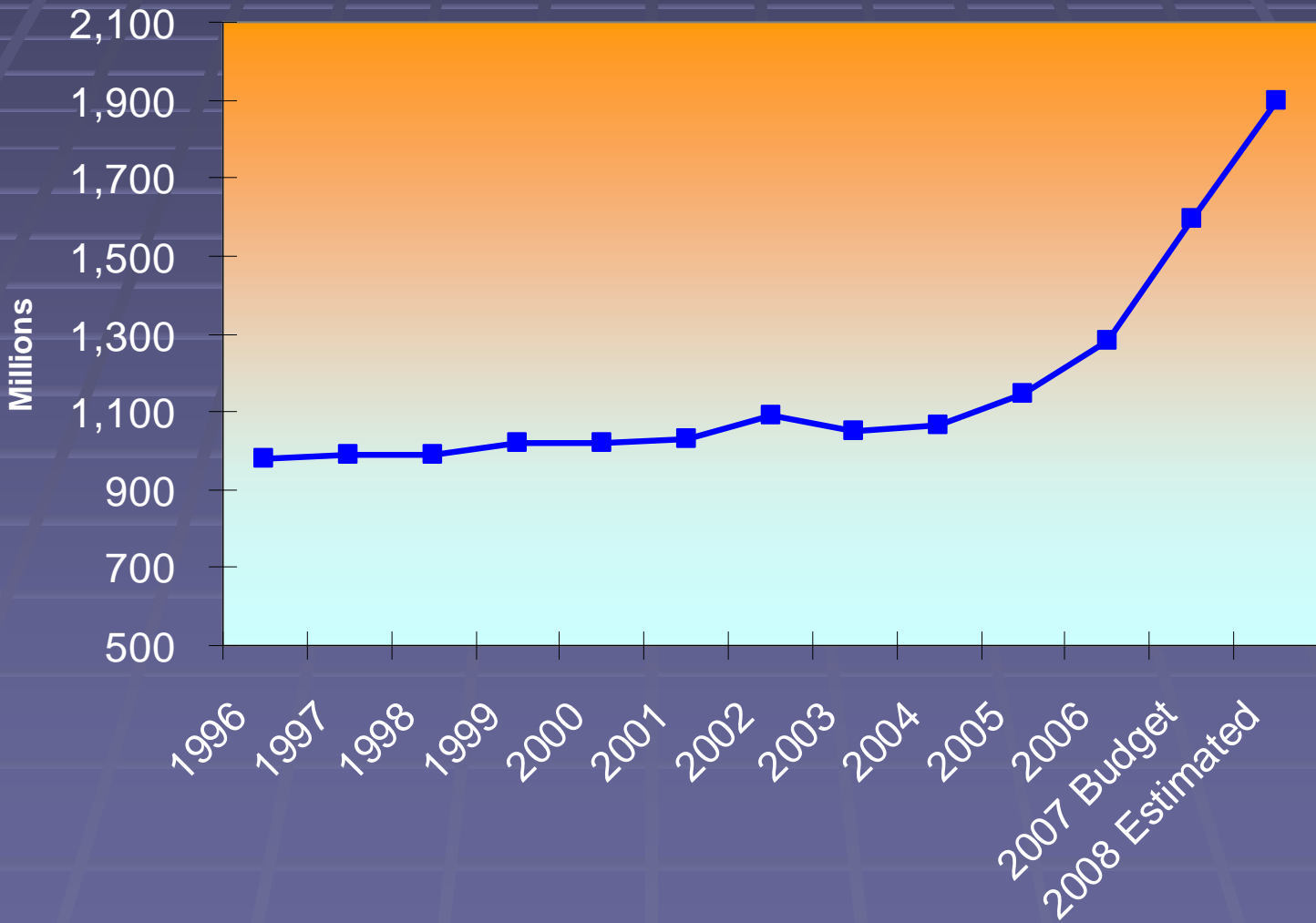
2007:

Rate \$2.83
Per \$1,000 AV

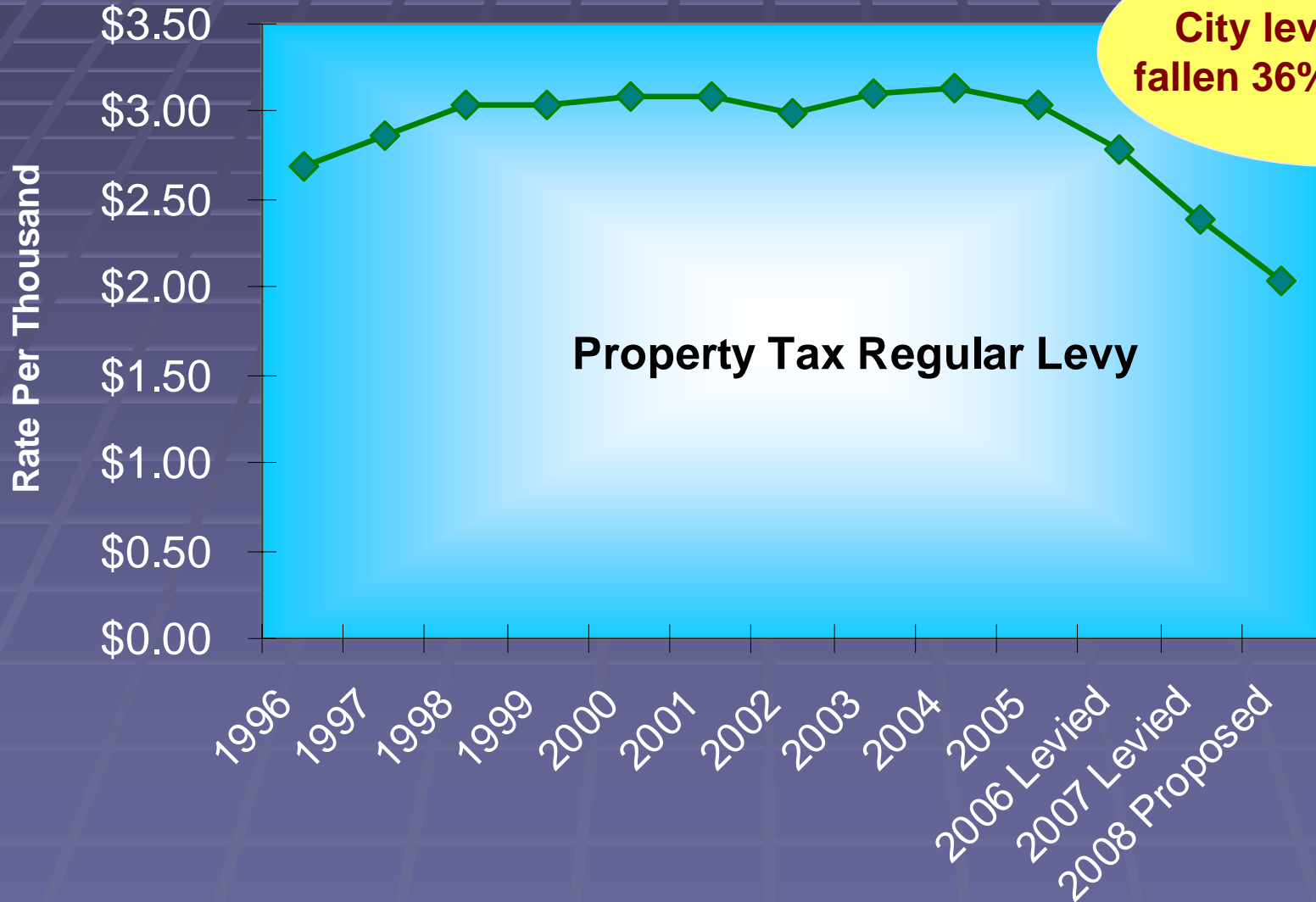
Lowest rate in over 20 years!

Trends...

Assessed Valuation (AV) History



Tax Rate History



City levy rate has fallen 36% since 1997

Comparison of assessed value and taxes paid to the City based on the average house value

	1997	2008 est.
Assessed value of your home & land	104,000	211,189
Levy rate per \$1,000 of AV	3.76	2.41
City's share of property tax bill	391	509

Home value more than doubled

Tax rate declined 36%

Amount increased 30% or \$118

Comparison of assessed value and taxes paid to the City based on the average house value

	2006	2008 est.
Assessed value of your home & land	175,642	211,189
Levy rate per \$1,000 of AV	3.34	2.41
City's share of property tax bill	587	509

Home value increased 20%

Tax rate declined 28%

Amount decreased 13% or \$78

Questions?