

WHAT’S REALLY GOING ON WITH PROPERTY TAXES

Written by Deanna Walter, Chelan County Assessor

As I surf the different county websites, newspapers and my personal favorite for up to the minute credible journalism – Facebook (in jest), I note the panic statewide about property tax increases. I have been asked from several sources to give some insight as to what is happening in Chelan County. I want to preface this article by saying that my intent is to disseminate accurate information. This puts me in a precarious position with the timing of the levy certification and knowing that there are numerous School Districts and a Fire District with ballot measures for this special election. Information is knowledge and I don’t want the fear from the alarming increases on the west side to overshadow the specifics of what’s happening here at home. You will see west side news articles stating that property taxes have increased by 32%! Don’t drink the Kool-Aid. The dynamics here are totally different than those on the west side, yet it’s the west side that drives our news. There are other factors in play.

For 2020 property taxes we will see an increase in both the State School and the State School 2 tax. This was due to legislation that only gave us a 1 year reprieve for the State School 2 tax last year, lowering it by approximately 30 cents. We knew it would go back up this year and I have been shouting it from mountaintops for the last 2 years. Remember, the legislature enacted the State School 2 tax in 2017 session for 2018 taxes. Here is a chart to show the last 4 years (in Chelan County):

LEVY RATE	2017	2018	2019	2020
State School	\$2.204	\$2.033	\$1.997	\$2.038
State School 2		\$1.107	\$.745	\$1.097
Total	\$2.204	\$3.140	\$2.742	\$3.135

COLLECTED	2017	2018	2019	2020
State School	\$22,794,298	\$22,503,046	\$24,265,507	\$27,174,603
State School 2		\$12,122,008	\$8,942,057	\$14,464,392
Total	\$22,794,298	\$34,625,054	\$33,207,564	\$41,638,995

The Washington Supreme Court ruled in 2012 that the state was not properly funding public education (commonly known as the McCleary decision). In 2018 (for 2019 taxes), local school M&O levies were capped at \$1.50 per \$1,000 of assessed property value (AV), but the total state school tax (1 & 2) increased to \$2.70 (from \$2.40) per \$1,000 of AV to compensate for lost funding to local districts due to the M&O cap. You will note that we are above the \$2.70 because there is an “equalization” component that the state uses for each of the 39 counties based on their calculated ratio. That is another article, for another edition.

Last year in areas where voters had previously approved M&O levies above \$1.50 per \$1,000 of AV, there was a drop in the 2019 property tax rates. The changes negatively impacted more than 100 school districts statewide, so during the 2019 legislative session, lawmakers raised the cap on the local school M&O rates to \$2.50 per \$1,000 of AV or \$2,500 per student, whichever is less.

Local school districts that had previously approved M&O levies above \$1.50 were permitted to raise their M&O for 2020 taxes up to \$2.50, but not to exceed the rates noted on the ballot measure when approved. Only one Chelan County school district opted to raise their levy by 23 cents, but it still leaves the total combined local and state levy within that district at a rate approximately 45 cents LESS than it was 2017.

Property owners will see changes in their tax bill again this year. It is unavoidable under the current property tax structure. If the real estate market was totally flat, noting no change in the market from last year, AND no taxing district took more than their allowed 1% increase (anything above 1% requires a vote of the taxpayers within that district), you could predictably count on a tax bill increase of that same 1%. However, that is not the market or environment we live in.

Property taxes are complicated because there are so many moving parts. You have a very active and volatile real estate market; you have certain areas with values rising in double digits, while other areas may see only slight variations in value; you have taxing districts that are allowed to collect banked capacity (that is where they didn't collect to their full capacity last year so they are taking it this year); you have a big year for new construction value which is essentially a free add-on to the taxing district budget; you have improvements to properties outside of new construction permits that are only picked up during the 4 year physical inspection; you have ballot measures for lid lifts, new bonds, new capital projects, M&O renewals; you have new exemptions being approved; and you have bonds expiring. I can't predict from year to year what the levy rates will do because approved ballot measures in November are included in our calculations in December. That cuts it pretty close to the deadline for calculating levies.

Our real estate market is very active and prices/values continue to climb in most areas. Taxing districts have been very good about sticking to their 1% increase and we really haven't seen that many lid lifts (when they ask for their regular levy to exceed the 1% increase) on the ballot. The state however, is NOT bound to the 1% cap and can be increased by the legislature without a vote of the people. The State School 2 levy was also established as a rate-based levy for 4 years (basically a lid lift), meaning that any increase in AV generates more money for the state school levy, which is supposed to be distributed proportionately (or based on an algorithm) back to the local districts.

Here is the difference between a rate-based levy and a budget-based levy:

Rate-based means the district sets the rate and collects based on that rate. A rate-based system captures every dollar of any increase to AV as additional tax, while a budget-based system limits the amount that can be collected to their budget. I then calculate their rate based on the total AV of their district. In a budget-based system, as the AV rises, the rate goes down. In a rate-based system, if the values rise, so does their collection amount because the rate stays the same. Look at the state school charts above. You will note that the combined state school levy had a 25.4% increase in dollars collected, but the rate only went up by 14.3%. That is a perfect example of the difference between a rate-based and a budget-based levy. The rate only went up a little, but it netted significantly more dollars.

I'm getting too far into the weeds. Basically, due to all of the moving parts, just because your value stayed the same as last year, doesn't mean your taxes won't go up. In the same vein, just because your values went up last year, doesn't mean you will have a big increase in taxes.

Of the 34 taxing districts (with a total of 52 separate levies) in Chelan County, only 6 levies had an increase in their rates, 2 of which were the State School levies. However, that increase was enough to offset the other levy reductions in some of the tax areas.

In Chelan County:

- 63% of the overall increase in tax dollars collected for 2020 is attributable to the combined State School levies
- Between 50-70% of the property taxes go to education, depending on your school district
- 20-30% goes to City/County services, depending on your location
- 4-13% goes to your fire district, depending on your location, the rest gets distributed to the remaining junior taxing districts.
- 40-45% of your tax bill is voter approved
- The average increase in assessed value across the county is 6.4%, meaning some areas were higher and some were lower (Lake Wenatchee 15.4%, Cashmere 13.1%, Wenatchee 10%, Chelan 9.4%, Entiat 7.3%). Values that were flat or slightly reduced were most likely due to a lack of sales in the area to justify any movement, and were primarily outside of incorporated areas.

Any time an Exemption is granted (Senior, Farm & Ag, Designated Forest Land, PBRS, new Multi-family construction and historical {City}, Non-profit and Low Income Housing through Dept. of Revenue, Single Family Remodel, etc.), it creates a tax shift. This means that the taxes these properties are no longer paying are just redistributed to everybody else. EXEMPTION = TAX SHIFT

I wish there was a simple answer when I get a taxpayer calling and asking if their taxes are going up. With all of the moving parts, it is near impossible to say. You may see slight drops here and there, but the reality is that the cost of services is not getting cheaper, and with the legislature's love affair with the idea of granting more exemptions, that just means one thing – tax shift. We are all paying more. With that being said, we are not seeing the 30% increases in taxes that the west side is seeing.

A few may see significant increases in value and their taxes, but we need to look at the reason why. Was it because there were new voted in levies? Were there improvements to the property that significantly increased the value (with or without a permit)? Were the sales in the area climbing at such a rate that warranted big increases in value? There are many moving parts in calculating property taxes and every step along the way is safeguarded for consistency. In addition, we are regularly audited by the Dept. of Revenue for process and procedure (sales analysis, setting values and levy calculation).

The levy rates are available. If you look on our website, you will find your current assessed value and the tax code area. You can find your levy rate by tax code area on the levy sheet on the front Assessor web page. The formula is:

Your assessed value/1,000 X levy rate = property taxes

Your irrigation, weed, pest, storm water, and conservancy assessments are added to the property tax bill after that calculation.

Property Taxes on a \$400,000 Home

	2017	2018	2019	2020	% Change (4 yr.)
Lake Wenatchee/Plain area	\$4,121	\$4,384	\$4,040	\$3,945	(4.5%)
City of Leavenworth	\$4,090	\$4,613	\$4,225	\$4,135	1.1%
Peshastin/Dryden area	\$4,136	\$4,392	\$4,065	\$3,962	(4.4%)
City of Cashmere	\$5,112	\$5,050	\$4,362	\$4,324	(18.2%)
Sunnyslope area	\$4,435	\$4,778	\$3,930	\$4,086	(8.5%)
City of Wenatchee	\$4,377	\$4,758	\$3,895	\$4,111	(6.5%)
Malaga area	\$4,418	\$4,760	\$3,914	\$4,071	(8.5%)
City of Entiat	\$4,326	\$4,608	\$4,215	\$4,034	(5.0%)
City of Chelan	\$3,744	\$4,001	\$3,606	\$3,701	(1.2%)
Manson area	\$3,743	\$4,057	\$3,868	\$3,827	2.3%

The reality of it is your home value didn't stay at just \$400,000 over the last 4 years. You can see below that most levy rates have gone down, but if the rate of increase in your home value outpaces the rate of decline in your levy rate, then your taxes are going up.

There are only 2 reasons for the levy rates to go down –

1. Increase in assessed value of that area, or
2. Taxing districts taking a reduction in their dollars requested from the previous year, while your value remained unchanged (never seen this happen)

Levy Rates

	TCA	2017	2018	2019	2020	% change (4 yr.)	% change (from last yr.)
Lake Wenatchee/Plain	29	10.3013	10.9612	10.0989	9.8618	(4.5%)	(2.4%)
City of Leavenworth	606	10.2259	11.5331	10.5630	10.3367	1.1%	(2.2%)
Peshastin/Dryden area	53	10.3405	10.9807	10.1625	9.9043	(4.4%)	(2.6%)
City of Cashmere	100	12.7790	12.6256	10.9061	10.8091	(18.2%)	(0.9%)
Sunnyslope area	74	11.0867	11.9443	9.8240	10.2145	(8.5%)	3.8%
City of Wenatchee	802	10.9416	11.8958	9.7374	10.2776	(6.5%)	5.5%
Malaga area	85	11.0439	11.9001	9.7857	10.1776	(8.5%)	4.0%
City of Entiat	410	10.5911	11.5193	10.5350	10.0855	(5.0%)	(4.5%)
City of Chelan	201	9.3601	10.0025	9.0161	9.2513	(1.2%)	2.6%
Manson area	4	9.3565	10.1434	9.6699	9.5679	2.3%	(1.1%)

CHELAN COUNTY

2019 LEVIES FOR 2020 TAXES

TAXING DISTRICT		\$ RATE	TOTAL	TAX CODE	DISTRICTS	Total Levy with Exemptions	\$ RATE/1000
State School		2.0380122406		002	*19 CD4 H2 PK	5.5686693920	8.8931023017
State School 2		1.0967484031	3.1348433060	004	*19 CD4 H2 F5 PK	6.2434849210	9.5679178307
County Current Expense		1.0308400273		006	*19 CD4 H2 F7 PK	6.4182654512	9.7426983609
Mental Health		0.0250000002		008	*69 CD4 H2	5.4181333590	6.8315505891
Veteran's Relief		0.0112499997		009	*69 CD4 H2 F10 (Stehekin)	5.4181333590	6.8315505891
Total County			1.0670900272	012	*122 CD4 H2 F7	6.2677294182	10.8604266507
				014	*127	4.8794801471	8.6977394998
Regional Library		0.3693977329	0.3693977329	016	*127 CD1	4.9301631658	8.7484225185
Port District		0.2399548335	0.2399548335	017	*127 CD1 H2	5.4175624149	9.5524618565
County Road District		1.1100696826	1.1100696826	019	*127 CD3 F1	6.2676671766	10.0859265293
Flood Control Zone		0.0549017061	0.0549017061	020	*127 CD1 F8	5.7540915349	9.8530356655
				022	*127 F8	5.7034085162	9.8023526468
Upp Valley Pk & Rec (PK2)		0.1017522746	0.1017522746	023	*228	4.8794801471	8.6172298639
Manson Pk & Rec (PK)		0.1505360330	0.1505360330	024	*228 H1	5.4553000380	9.3801697418
Brae Burn Mosq District (MD1)	Per parcel assessment			025	*228 SD2J H1	5.4553000380	9.3801697418
Leavenworth Mosq District (MD2)	Per parcel assessment			026	*228 F3 H1 PK2	6.4104312165	10.3353009203
Idlewild Mosq District (MD3)	Per parcel assessment			028	*228 H1 PK2	5.5570523126	9.4819220164
				029	*228 F9 H1	5.9370187020	9.8618884058
				030	*228 F9 H1 MD1	5.9370187020	9.8618884058
				031	*228 F3 H1	6.3086789419	10.2335486457
				032	*129 CD4 H2	5.4181333590	8.2169853034
				033	*228 F9 H1 WD5	5.9370187020	9.8618884058
				034	*129 CD4 H2 F7	6.2677294182	9.0665813626
				035	*228 F9 H1 MD3	5.9370187020	9.8618884058
				036	*129 CD4 H2 SD F7	6.2677294182	9.0665813626
				038	*129 CD4 H2 F8	6.2420617281	9.3215984504
				042	*228 F3 H1 PK2 MD2	6.4104312165	10.3353009203
				043	*228 H1 PK2 MD2	5.5570523126	9.4819220164
				044	*228 CD2 H1	5.5180135935	9.4428832973
				045	*228 CD2 H1 PK2	5.6197658681	9.5446355719
				046	*228 F3 CD2 H1	6.3601424977	10.2850122015
				047	*228 CD2 H1 F3 PK2	6.4731447720	10.3980144758
				048	*228 CD2 H1 F6	5.9404106160	9.8652803198
				049	*228 CD2 H1 F6 PK2	6.0421628906	9.9670325944
				050	*228 F6 CD2 H1 PK2 WD3	6.0421628906	9.9670325944
				052	*228 H1 F6	5.8776970605	9.8025667643
				053	*228 H1 F6 PK2	5.9794493351	9.9043190389
				054	*228 F6	5.3018771696	9.0396268864
				056	*222	4.8794801471	9.9269439499
				057	*222 H1	5.4553000380	10.6898838278
				058	*222 F1	6.2308126689	11.2782764717
				060	*222 F6	5.3018771696	10.3493409724
				061	*222 F6 H1	5.8776970605	11.1122808503
				062	*246	4.8794801471	8.8263288129
				063	*246 H1	5.4553000380	9.5892686908
				064	*246 CD5	4.9259028125	8.8727514783
				065	*246 F1 CD5	6.2772353343	10.2240840001
				066	*246 F1	6.2308126689	10.1776613347
				068	*246 CD5 WD2	4.9259028125	8.8727514783
				069	*246 F1 CD5 WD2	6.2772353343	10.2240840001
				072	*246 CD3	4.9163346548	8.8631833206
				074	*246 CD3 F1	6.2676671766	10.2145158424
				075	*246 F6	5.3018771696	9.2487258354
				076	*246 CD3 F6	5.3387316773	9.2855803431
				082	*246 F1 WD1	6.2308126689	10.1776613347
				084	*246 WD2	4.8794801471	8.8263288129
				085	*246 F1 WD2	6.2308126689	10.1776613347
				100	*CA 222	5.7617323248	10.8091961276
				201	*CH 129 CD4 H2 F7	6.4524865544	9.2513384988
				410	*E 127 CD1 F8	5.9866025076	10.0855466382
				602	*LV 228 H1 PK2 F3	6.4119034774	10.3367731812
				606	*LV 228 H1 PK2 MD2 F3	6.4119034774	10.3367731812
				802	*W 246 F1 WB	6.2318504008	10.2776080119
				803	*W 246 F1	6.2318504008	10.1786990666
				804	*W 246 F1 CD3	6.2687049085	10.2155535743
HOSPITAL DISTRICTS							
#1 Cascade (H1)	Regular	0.1916824022					
	Bond	0.1871199870					
	EMS	0.3841374887	0.7629398779				
#2 Chelan (H2)	Regular	0.2255753221					
	Bond	0.3166400889					
	EMS	0.2618239270	0.8040393380				
FIRE DISTRICTS							
#1 Wenatchee (F1)	Regular	1.3513325218	1.3513325218				
#3 Leavenworth (F3)	Regular	0.8533789039	0.8533789039				
#5 Manson (F5)	Regular	0.6748155290	0.6748155290				
#6 Cashmere (F6)	Regular	0.4223970225	0.4223970225				
#7 Chelan (F7)	Regular	0.8495960592	0.8495960592				
#8 Entiat (F8)	Regular	0.8239283691					
	Bond	0.2806847779	1.1046131470				
#9 Lk Wen/Ponderosa*	Regular	0.4817186640	0.4817186640				
*Fire 9 & Fire 4 have merged							
Cemetery Districts							
#1 Entiat (CD1)		0.0506830187	0.0506830187				
#2 Leavenworth (CD2)		0.0627135555	0.0627135555				
#3 N Wenatchee (CD3)		0.0368545077	0.0368545077				
#4 Chelan/Manson (CD4)		0.0512539628	0.0512539628				
#5 Malaga (CD5)		0.0464226654	0.0464226654				
CITIES							
Cashmere (CA)	Regular	1.9923218603	1.9923218603				
Chelan (CH)	Regular	1.2948268188	1.2948268188				
Entiat (E)	Regular	1.3425806553	1.3425806553				
Leavenworth (LV)	Regular	1.1115419435	1.1115419435				
Wenatchee (W)	Regular	1.1111074145					
	Bond (WB)	0.0989089453	1.2100163598				
SCHOOL DISTRICTS							
#19 Manson (19)	M&O	1.4214877556					
	Cap.Impr.	0.4895279240	1.91101568				
#122 Azwell/Pateros (122)	M&O	1.5165421245					
	Cap.Impr.	0.988953577					
	Bond	0.6737843009	3.1792800024				
#127 Entiat (127)	M&O	1.4178809496					
	Bond	1.3036012619	2.7214822115				
#129J Chelan (129)	M&O	1.2882100257					
	Cap.Impr.	0.0972246886	1.385434714				
#222 Cashmere (222)	M&O	1.5028041749					
	Bond	2.4478824867	3.9506866616				
#228 Cascade (228)	M&O	1.0492610622					
	Cap. Pro	0.1142549451					
	Bond	1.4774565683	2.6409725756				
#246 Wenatchee (246)	M&O	1.7331499701					
	Bond	1.1169215545	2.8500715246				

NOTE: To decipher which taxing districts comprise each tax code area we have added a legend with the district code in parenthesis (eg. CA) next to each taxing district. The following tax districts (which we do not currently levy for) are:

SD: Sewer District	WD3: Peshastin Water District
WD1: Three Lakes Water District	WD4: Alpine Water District
WD2: Malaga Water District	WD5: Lake Wen. Water District