

Revise the arbitrary property tax cap



2024

Revise the property tax cap to tie it to inflation and population growth, up to 3%, so local elected officials can adjust the local property tax rate to better serve their communities (**SB 5770**).

Background:

The arbitrary 1% cap on annual property tax increases, in place for more than a generation, has strained many city budgets:

- The current cap has created a structural deficit in city revenue and expenditure models, leading to artificial restrictions on the use of property taxes to fund community needs.
- To make ends meet, cities cut services or rely upon more regressive, and less reliable, revenue sources like sales taxes and fees.

Lifting the property tax cap to a 3% limit is a modest compromise to increase funding flexibility, support local decisions, and preserve critical city services.

Cities face complex public safety challenges, escalating costs for aging infrastructure, challenges to recruit and retain employees, and ever-increasing service needs. City revenues are not keeping up with the costs of goods and services to meet community expectations and priorities.

Cities are doing more with less

For every **one** city staff:

In 2001:



80
residents served

In 2022:



110
residents served

Strong cities need:

- **Revisions to the property tax cap to tie it to inflation and population growth, up to 3%**, so that local elected officials can adjust their local property tax rate to better serve their communities.
- Support for the Washington State Tax Structure Work Group's final recommendation to include **structural property tax reform for local governments** in response to its research on the arbitrary 1% limit.
- **A fix to the structural deficit in the city revenue and expenditure model created by the current 1% cap**, resulting in a reliance on regressive revenues and artificially restricting the use of property taxes to fund community needs.

Revising the property tax cap has strong public support

72% of likely voters support a **3% property tax cap**.

Source: Public opinion survey, commissioned by AWC, Dec. 2022.

The arbitrary 1% property tax limit is not tied to any actual service costs or needs. It only prevents revenues from keeping pace with inflation and population growth—both of which rise faster than 1%. With such limited options to address budget shortfalls, and new emerging service needs like affordable housing and behavioral health services, cities need a revised property tax cap.

Cities have done our best for more than 20 years to serve our communities with this arbitrary 1% limit, but we can't keep going without real harm to our communities. Now is the time for the Legislature to make this modest revision.

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3%
inflation

The historical average CPI for the last decade, even with 2022 record high inflation.

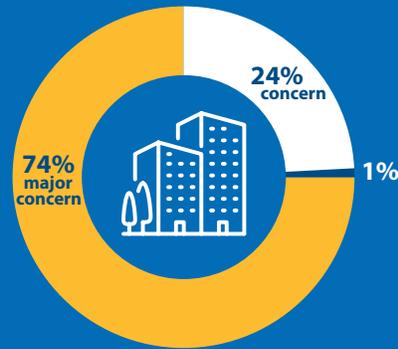
Myth-busting the alternatives to revising the 1% cap

There are few (and usually only temporary) options available to increase the limit. Cities can implement a one-year or multiyear levy lid lift, which generally must be limited to a specific purpose to be approved by voters. Reliance on these periodic voter-approved bumps is an uncertain way to fund critical ongoing services like law enforcement and fire services, as well as street and other transportation maintenance. In addition, neither option can adequately address chronic, structural budget deficits.

History of the 1% cap

In 1973, the Legislature responded to concerns that property taxes were rising too fast by passing a 6% limit on annual property tax increases. Initiative 747 (I-747) passed in 2001, limited regular property levies for all taxing districts to 1% of the previous year, plus new construction. After the Supreme Court found I-747 unconstitutional, the Legislature reenacted the 1% limit in a one-day special session.

99% of cities report that increased costs of city services are a concern in their community.



Source: State Auditor's Office

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