

2017 – 2018 Budget Query

Question: 7
Date: November 1, 2016
From: CM Medina
Topic: Levy lid lift

QUESTION

Please provide information about a levy lid lift.

RESPONSE

A levy lid lift is separate from a jurisdiction's current property tax levy.

A levy lid lift is how a city or special district may exceed the 101% levy limit set for the annual property tax increase. The city or district asks the voters to authorize an amount that exceeds the levy limit to lift the lid. The action can be for one year, or for many years. For example, the Bainbridge Island Fire Department was successful in passing a multi-year lid lift in 2015, with collection starting in 2016.

The ballot contains the dollar rate (levy rate) proposed and is temporary unless the ballot specifically states that the resulting levy will be used for future levy limit calculations. Lid lifts may be for one, or multiple years. Details on the options are included in the attached explanatory materials from MRSC. If the voters approve, the Kitsap County Assessor's Office uses the voter approved rate to determine the amount the district may levy for the first year.

A rate approved through a levy lid lift may not exceed the statutory rate. The City of Bainbridge Island's statutory rate is \$3.60 less the actual Bainbridge Fire 2 levy rate and the actual Library levy rate. Current information shows those rates to be about \$0.91 and \$0.35, respectively, so the estimated statutory rate limit would be about \$2.34. The current estimated rate for the City of Bainbridge Island for tax collection in 2017 is \$1.06. The difference between the current rate of \$1.06/\$1,000 and \$2.34/\$1,000 is the capacity for the lid lift.

Example: assume approval of a Levy Lid Lift of \$0.10

The current property tax ordinance for 2017 shows a total levy of \$7,308,779 with a current assessed value of \$6,897,874,246. If a lid lift up to \$1.16 per \$1,000 had been passed this year for collection in 2017, that would allow a levy of \$8,001,534 using the current assessed value, or an increase of \$689,787. If it were a permanent lid lift, this would be the new highest allowed levy on which to base future property tax collection calculations.

Assessed Valuation	\$6,897,874,246	\$6,897,874,246
Rate/\$1000	\$1.06	\$1.16
Revenue	\$7,311,000	\$8,002,000

Example: assume additional revenue of \$1.0 million is required

Using the same assumptions, to increase revenue by \$1,000,000 would require a rate increase of roughly \$0.14 per \$1,000 of assessed valuation, or a 13.7% increase.

Assessed Valuation	\$6,897,874,246	\$6,897,874,246
Rate/\$1000	\$1.06	\$1.20
Revenue	\$7,311,000	\$8,311,000

OTHER RESOURCES

The Washington State Department of Revenue has an informative webpage on ballot measure requirements that includes levy lid lifts.

<http://dor.wa.gov/content/getaformorpublication/publicationbysubject/propertytax/ballotmeasures/#Breadcrumb>

MRSC provides information about Levy Lid Lifts, as well. This page provides information on levy lid lift laws in Washington State, including sample ordinances, propositions, and other documents.

<http://mrsc.org/Home/Explore-Topics/Finance/Revenues/Levy-Lid-Lift.aspx#Articles>

ATTACHMENTS

- MRSC Levy Lid Lift Summary Page
- MRSC Levy Lid Lift Explanation, J. Cox, 2010